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ABSTRACT

Creating more comprehensive, community-based support systems and reforming early childhood financing systems are critical to advancing the goal of having all children enter school ready to learn. The Finance Project is a national initiative to improve effectiveness, efficiency, and equity of financing for education, children's services, and community building and development. This Finance Project report describes the results of a pilot learning cluster comprised of teams of decision makers and opinion leaders from selected states and communities regarding challenges and options for generating revenue for early childhood services in the wake of welfare reform. Contained in the report are summaries of information presented in nine plenary and workshop sessions: (1) issues and challenges in financing early childhood services; (2) overview of issues and options for generating revenue; (3) reforming state and local tax systems through tax incentives; (4) creative use of federal funds to support an early childhood agenda; (5) managed care financing; (6) reforming state and local tax systems through revenue-raising options; (7) reinvestment strategies; (8) economically targeted investments; and (9) decategorization of programs to better address multiple and interconnected needs of children and families. The first session elicited views of federal state, and local leaders; the second, showcased national experts on financing options and issues. The remaining sessions were comprised of a presentation by a national expert, sharing of experiences by state and local leaders, and a question-answer period. Three appendices contain members of the planning and oversight group and the learning cluster teams and the meeting agenda. (KB)

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# REVENUE GENERATION IN THE WAKE OF WELFARE REFORM:

## Summary Of The Pilot Learning Cluster on Early Childhood Finance

August 1997

PS 026053

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THE FINANCE PROJECT

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## *Overview*

The Finance Project is a national initiative to improve the effectiveness, efficiency, and equity of public- and private-sector financing for education, other children's services, and community building and development. With leadership and support from a consortium of private foundations, The Finance Project was established in 1994 as an independent, non-profit organization. The Finance Project undertakes an ambitious array of policy research and development activities, policy maker forums and public education activities, as well as support and technical assistance activities.

The work of The Finance Project is aimed at increasing knowledge and strengthening the capability of communities, states, and the federal government to implement promising strategies for generating necessary fiscal resources and improving the return on investments in children and their families. Its activities are intended to:

- Examine the ways in which governments at all levels, and the private sector, finance education and other supports and services for children (age 0-18) and their families;
- Identify and highlight structural and regulatory barriers that impede the effectiveness of programs, institutions, and services, as well as other public investments, aimed at promoting children's growth and development;
- Outline the characteristics of financing strategies and related structural and administrative arrangements that support improvements in education, other children's services, and community building and development;
- Identify promising approaches for implementing these financing strategies at the federal, state, and local levels and assess their costs, benefits, and feasibility;
- Highlight the necessary steps and cost requirements of converting to new financing strategies; and
- Strengthen intellectual, technical, and political capability to initiate major long-term reform and restructuring of financing systems, as well as interim steps to overcome inefficiencies and inequities within current systems.

The Finance Project's work is organized within three broad areas. Activities in each area build upon and inform the others:

I.) *Review and analysis of current federal, state, and local financing strategies for education, other children's services, and community building and development*

This series of studies examines key issues and trends in federal, state, and local fiscal capacity and public expenditures on behalf of children and their families and assesses the challenges for future strategies for generating fiscal resources, planning and budgeting public expenditures, and measuring the impact of public investments. They also examine the implications of relevant statutes, regulatory provisions, and judicial decisions for patterns of expenditure. The findings and conclusions of these studies are presented in a series of papers and quantitative analyses.

## About The Finance Project

The Finance Project is a national initiative to improve the effectiveness, efficiency, and equity of public- and private- sector financing for education, other children's services, and community building and development. With leadership and support from a consortium of private foundations, The Finance Project was established in 1994 as an independent, nonprofit organization. It undertakes an ambitious array of policy research and development activities, policymaker forums and public education activities, as well as support and technical assistance activities.

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- Strengthen intellectual, technical, and political capability to initiate major long-term reform and restructuring of financing systems, as well as interim steps to overcome inefficiencies and inequities within current systems.

The Finance Project extends the work of many other organizations and blue-ribbon groups that have presented bold agendas for improving supports and services for children and

families. It is creating the vision for a more rational approach to generating and investing resources in education, other supports and services for children and families, and communities. It is developing ideas, options, and policy tools to actively foster positive change through broad-based systemic reform, as well as through more incremental steps to improve the effectiveness, efficiency, and equity of current systems. It also provides support and technical assistance to "reform ready" states and communities engaged in efforts to align their financing systems with their policy and program reform agendas.

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**The Pilot Learning Cluster**
**on Early Childhood Finance**

August 1997

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THE FINANCE PROJECT

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## PREFACE

Ensuring that children enter school ready to learn is a well-established national goal. Yet there is growing public concern about the well-being of many young children (defined here as birth to age eight) and their families. Pressure is mounting for states and communities to improve early childhood supports and services and to more closely align the financing and delivery of health, education, and social services. Creating more comprehensive, community-based support systems and reforming and realigning public and private sector financing systems are critical steps to advance this goal.

To help improve the financing of early childhood supports and services, The Finance Project and several other national organizations launched a collaborative initiative to mobilize the intellectual and technical resources needed to bring about positive change. This Collaborative Initiative to Improve Financing for Young Children and Their Families includes The Finance Project, the Child Care Action Campaign, the Quality 2000 Project at the Yale University Bush Center, the Families and Work Institute, the National Center for Children in Poverty at Columbia University, the Center for the Study of Social Policy, and the Center for Health Policy Research at George Washington University, as well as selected state and local leaders who are involved in efforts to improve early childhood financing. The planning and oversight group for the initiative, comprised of representatives of the partnering organizations and selected state and local leaders, is listed in Appendix A. These organizations and individuals bring a broad range of relevant experience, expertise, and resources. They have undertaken a series of related activities to:

1. Clarify issues that are unique to financing community supports and services for young children and their families;

2. Identify and assess promising reform strategies;

3. Develop and distribute relevant policy tools; and

4. Build a responsive support and technical assistance capacity to help "reform-ready" states and communities advance their agendas.

As a first step toward establishing a practical, timely, consumer-driven support and technical assistance resource for states and communities, The Finance Project took the lead in establishing a pilot learning cluster for "reform-ready" states and communities. The learning cluster is intended to provide a continuing learning process for ten interdisciplinary teams of decision makers and opinion leaders from selected states and communities who are seeking to improve support systems for young children and their families.

Teams from six states (Colorado, Hawaii, North Carolina, Ohio, Oregon, and Vermont) and four communities (Baltimore, Pittsburgh, Rochester, and San Francisco) were selected to participate in the pilot learning cluster. The team members are listed in Appendix B. Reflecting the priorities of the teams, this pilot session of the learning cluster was planned around the challenges and options for generating revenue for early childhood supports and services in the wake of welfare reform. Subsequent sessions will explore other critical issues, including how to develop results-based planning, budgeting, and accountability systems and how to build effective state-community partnerships to support comprehensive services for young children and their families.

The first meeting of the learning cluster was held on April 2-4, 1997 at the Westfields Conference Center in Chantilly, Virginia. Over the course of the two days, participants:

- Attended plenary and workshop sessions with national experts on issues facing state and local leaders in financing early childhood supports and services and in the design and implementation of revenue strategies;

- Explored common interests and challenges and learned from each other's experiences through formal and informal interactions; and

- Met in teams to give team members and their facilitators time away from the pressing demands of their daily routines to think and work together on strategies to improve financing for young children and their families.

This report summarizes the information presented in the nine plenary and workshop sessions of the forum. It provides an overview of the themes and issues that emerged from each session, as well as a detailed summary of the proceedings.

The production of this volume was managed by Carol Cohen, a Senior Research Associate with The Finance Project. The detailed summaries were prepared by Deborah L. Cohen, a freelance writer and consultant, and edited by Carol Cohen. The overviews were prepared by Carol Cohen with input from Deborah Cohen. Session moderators and presenters reviewed the summaries of their sessions.

It is our hope that these summaries will provide useful resource information for team members who participated in the forum as well as those who were unable to attend. We also hope they will benefit other state and local decision makers and leaders who are facing similar challenges in financing supports and services for young children and who are seeking relevant and credible information on innovative financing strategies.

We gratefully acknowledge the financial support of the Carnegie Corporation of New York, the W.K. Kellogg Foundation, and the Danforth Foundation for their support of the pilot learning cluster forum and the preparation of these summaries.

Cheryl D. Hayes
Executive Director

## INTRODUCTION

The pilot learning cluster on early childhood finance, convened on April 2-4, 1997 at the Westfields Conference Center in Chantilly, Virginia, offered teams of decision makers and opinion leaders from reform-ready states and communities an opportunity to learn about innovative strategies for financing early childhood supports and services. The forum focused on new ways of generating revenue in the wake of welfare reform, covering a broad range of financing strategies and exploring the opportunities and challenges they present. The forum agenda is presented in Appendix C.

In a series of informational sessions, participants heard from national experts and state and community leaders about critical financing issues and how they are being addressed elsewhere. The sessions offered team members an opportunity to engage in exchanges with the panelists and with each other to clarify issues and further explore options. Later, in team meetings, the participants had an opportunity to review what they learned and put it to use in their own planning and implementation efforts.

The forum featured plenary or concurrent sessions on the following nine topics:

1. Issues and Challenges in Financing Early Childhood Services
2. Overview of Issues and Options for Generating Revenue
3. Reforming State and Local Tax Systems: Tax Incentives
4. Creative Use of Federal Funds to Support an Early Childhood Agenda
5. Managed Care Financing
6. Reforming State and Local Tax Systems: Revenue-Raising Options
7. Reinvestment Strategies
8. Economically Targeted Investments
9. Decategorization

The sessions were moderated by national experts in early childhood services and financing from the sponsoring organizations of the Collaborative Initiative to Improve Financing for Young Children and Their Families. The first session elicited the views of three leaders from the federal, state, and local levels on current issues and challenges in financing early childhood supports and services, while the second session showcased two national experts on financing options and issues.

Each of the other sessions was organized around a particular revenue strategy and had the following format:

- The sessions began with a presentation by a national expert on general concepts and issues.
- State and local leaders with first-hand experience in the design and implementation of the financing method then shared their experiences and lessons learned.
- Each session concluded with a question-and-answer period designed to allow team members and presenters to engage in far-reaching discussion and exchanges.

This report summarizes the information presented in these nine sessions. It offers an overview, followed by a more detailed summary, of each session. The overview highlights the broad themes and issues that emerged in the session, while the detailed summary provides a condensed report of the session's proceedings. The summaries also include a brief

report of the participant comments and discussion. These summaries should be useful resource information not only for the learning cluster participants, but also for other state and local decision makers and leaders who want ideas about innovative strategies for financing services and supports for young children and their families.

## SESSION 1
## OPENING DISCUSSION: ISSUES AND CHALLENGES IN FINANCING EARLY CHILDHOOD SERVICES

### Overview

In this fishbowl discussion, leaders from the federal, state, and local levels explored the most pressing issues and challenges currently facing states and communities in financing early childhood services. This panel touched on many topics that later sessions covered in detail.

The panel identified several factors in the current environment that create new opportunities and challenges for states and communities in financing services and supports for young children and their families. These include:

- Welfare reform;
- Public resistance to new taxes and government spending;
- The crisis orientation of current services; and
- Increasing recognition of the importance of the first few years of life to healthy development.

This environment gives states and localities the impetus to seek innovative financing strategies and to use funds more efficiently. These financing strategies include, for example, leveraging public and private resources, influencing private financing through tax incentives, and using federal funding more flexibly. These and other financing strategies were explored in more detail in the following sessions.

The panelists emphasized that several ingredients are needed to accomplish effective finance reform. Among these are:

- Effective strategies to engage public and political leaders—including non-traditional players—in the change process.
- A clear, coordinated message on what is needed for the healthy development of children and families.
- Local power and authority to develop financing arrangements that meet community needs.
- Communication of the benefits of early childhood investments in new and convincing ways to both policy makers and the public.

### Detailed Summary

Cathy Trost moderated this "McLaughlin"-style panel discussion on the challenges of generating support and revenue for early childhood services "in an era of tight money, changing demographic conditions, and a real major policy shift in thinking about the federal government as the provider of choice." The three panelists represented federal, state, and local perspectives.

**Key Financing Challenges**

Trost, a former *Wall Street Journal* reporter who now directs the Casey Journalism Center for Children and Families, asked her panelists to talk about the most significant challenges they are facing in funding early childhood services, particularly in the wake of welfare reform. Much of the discussion revolved around how to "sell" the importance of early childhood services and family support systems to policymakers.

***Financing for what?***

Joan Lombardi, the Associate Commissioner of the Child Care Bureau of the Department of Health and Human Services (HHS), maintained that there needs to be more clarity on what the focus of financing efforts should be. There is a growing consensus, she said, that programs need to meet the developmental needs of young children as well as the practical needs of working parents. The emerging media campaign to publicize and popularize research on early brain development, she noted, has the potential to generate a "tremendous amount of public awareness" on the need to invest in early childhood.

***Building public and political support***

Sally Vogler, Policy Director on children and family issues for Colorado Governor Roy Romer, discussed the importance in Colorado of enlisting the governor and his wife and prominent business leaders as champions of early childhood intervention, rather than relying on the traditional advocacy community. Other strategies that have been effective, she said, include counting small victories very publicly, working closely with the press, and using data "to inform and shame the public" into being more responsive on children's issues. Robert Nelkin, Director of the Starting Points program in Pittsburgh, questioned whether Governor Romer isn't an "anomaly," and emphasized that the "no new tax money" message in many states and communities has stymied early childhood investments.

**Financing Creatively**

With low-growth budgets on the horizon for many states, Ms. Trost raised the question of how child care and other services for young children and their families can compete for funding with other priorities such as schools, Medicaid, roads, transportation, and prisons.

- Ms. Lombardi noted that one way to avoid such prioritizing is to balance the focus between seeking direct funding for programs and using the tax system differently to offer incentives for funding child-related services.

- Mr. Nelkin made the point that local legislators and officials don't understand the connections between various child-related programs, and that they need people from the various child-serving systems to simplify their message and come together as a group to state what they need. Panelists agreed that a coordinated message is critical.

- Ms. Vogler stressed that even in a state with strong political support and leadership on early childhood issues, anti-tax and anti-"big government" sentiments have increased pressure to use existing funds more creatively.

The panel agreed that coordination across sectors and services is not a substitute for the additional dollars needed to invest appropriately in young children and families. In a discussion of creative financing options, Ms. Lombardi cited Anne Mitchell and Louise

Stoney's work, and Ms. Mitchell said the two had found the most successful efforts to raise revenue for child care were "embedded in something larger" like social services or education.

**Opportunities and Challenges from Welfare Reform**

Ms. Trost wondered how Colorado was able to swing a proposal to raise the income ceiling for child care services for working families to 185 percent of the poverty level and also raise the reimbursement rate to providers. Ms. Vogler said those kinds of steps were possible because of a boost in federal funding from the welfare bill that would increase state coffers this year and next year. That comment prompted Ms. Trost to question the panel about how much of the so-called welfare "windfall" money would actually be channeled into prevention and early intervention activities, and how much states would eye "hungrily" for other projects.

Ms. Lombardi said she hoped some of the money would be directed toward child care for poor working families as well as those transitioning off welfare. She cautioned that it will be easier to raise the income eligibility threshold this year with Temporary Assistance for Needy Families (TANF) than it will be in succeeding years. Mr. Nelkin noted, however, that despite general tax surpluses in his and other states, governors are not looking at that as "anything other than a rainy day fund" to prepare for recession.

Mr. Nelkin also raised the question of how you empower local communities that have demonstrated a capacity for innovative financing arrangements when state policy does not support these changes. He said one option, if he had "Michael Levine's money" (of the Carnegie Corporation), would be "to take one community that's ready and do everything at scale and comprehensively and prove that it could have great results."

**Communicating about Early Childhood Investments**

The panel then got into a spirited discussion about how to prove to business leaders and policymakers that early childhood investments pay off. They acknowledged, however, that well-publicized studies demonstrating that high-quality programs reduce heavy social costs later on have not sustained the momentum needed to keep early childhood funding competitive. "All I see are more prisons being built—what is the shift in thinking that we need?" asked Ms. Trost. Ms. Vogler noted that while early childhood issues resonate with some audiences, there is still a lack of appreciation of the need to support families as well, because families are supposed to be self-sufficient and "take care of themselves." She also noted that many policymakers feel too strapped by the cost of crisis-oriented services to consider "high-ticket" items like prevention.

**Issues in Federal Funding and Devolution**

When Ms. Trost questioned the panel about how to use federal funding for welfare, child care, child welfare, Head Start, and Medicaid more flexibly, Ms. Lombardi maintained that there are few barriers to doing things like linking with schools to offer full-day early childhood programs. Ms. Vogler, however, argued that federal regulations over categorical programs still restrict states and communities from funding and staffing programs in ways that serve the whole child and family. While expressing misgivings about the motivations behind welfare reform, Mr. Nelkin said the devolution of responsibility to states and localities can have positive effects, and he offered an example of a community that reduced its infant mortality rate by 20 percent when the state let it come up with its own strategies to address the problem.

The panelists also discussed the benefits of strategic community planning, but agreed that state and federal policy must provide the flexibility to carry out those plans. Ms. Lombardi noted that with the new block grant strategy, "there is no reason" to divide child care into separate categories or pots of money.

**Participant Comments and Discussion**

Comments in the discussion period focused on:

- *The potential of new brain research to change financing.* Ellen Galinsky, President of the Families and Work Institute, described the positive responses she's heard from policy makers to the "I Am Your Child" campaign, which offers compelling scientific evidence on why children need high quality care for their brains to develop and function properly. Ms. Trost cautioned that the real trick will be translating the "warm and fuzzy" responses that this campaign may evoke into "long-term financing strategies for programs in states and localities." The panelists agreed that the messages arising from such campaigns need to be simple, direct, and geared toward an easily understandable goal. "What if we went to every person and every place where there was money and said what can you do where you are to promote early learning?" asked Ms. Vogler, who offered the example of using savings gained from a tax cut to help parents stay home and care for their babies.

- *The importance of involving non-traditional players in accomplishing change.* Panelists and participants highlighted the importance of educating and involving nontraditional players in the discussion. One participant noted, for example, that when his state launched an effort to blend a variety of funding sources to offer high-quality early childhood services, it was critical to involve state auditors in the planning and gain their support.

- *How to most effectively support parental efforts.* In response to a comment about the perils of "bad parenting," the panelists agreed that programs to encourage parents to stimulate their children's learning must treat parents with respect, build on their strengths, and bring them to the table as equal partners to express what they need.

## SESSION 2
## OVERVIEW OF ISSUES AND OPTIONS FOR GENERATING REVENUE

### Overview

This session introduced participants to a range of financing tools and options for financing early childhood services, including both public and private sector approaches. The presenters urged the participants to think creatively about how to generate revenue and to "look for money wherever we can find it." Based on their recent research into strategies used in the United States to finance child care, the presenters gave numerous examples of various financing mechanisms and discussed issues involved in using them.

- *General Revenues.* General revenue sources at federal, state, and local levels supporting early childhood and other public services include income, sales, and property taxes; a range of fees such as those charged for special license plates; and revenue from government enterprises such as lotteries. Besides increasing the size of the revenue pie generally, opportunities for increasing funding for early childhood services out of general revenues include linking early childhood services to existing funding streams such as education or the United States Department of Agriculture (USDA) child care food program.

- *Set-Asides.* General revenues also can be dedicated or "set aside" for early childhood services through such mechanisms as special levies; tax checkoffs; and special taxing districts. These measures can increase funding for early childhood services if they are carefully structured so as not to replace existing funds.

- *Tax Incentives.* Even in a "no new taxes" environment, the tax system can be used to generate revenues for early childhood services by subsidizing or offering incentives to invest in early childhood services. For example, child care tax credits have the potential to make a significant investment in early childhood services and to reach a large number of families, including lower-income families, if they are designed well. Dependent care assistance plans allow income put aside for dependent care expenses to go untaxed.

- *Public-Private Partnerships.* Currently, the private sector is not a major funder of early childhood services. There may be a significant opportunity to increase private sector investments through public-private partnerships. Examples of public policies designed to leverage private sector resources include providing matching grants for employer programs, and mandating benefits such as temporary disability insurance.

### Detailed Summary

Jane Knitzer, the Deputy Director of the National Center for Children in Poverty, introduced Anne Mitchell and Louise Stoney, two independent consultants who have collaborated in a study on revenue-raising strategies for child care. Ms. Mitchell explained that she would discuss ways of generating revenue by using the tax system and that Ms. Stoney would focus on reallocating existing revenues and leveraging funding through public-private partnerships.

#### Tax Strategies for Revenue Generation

Ms. Mitchell described the kinds of revenue mechanisms that governments use to fund services. Ms. Mitchell stressed that many of the financing strategies were not pegged to child

care alone, but were part of broader efforts to fund education and social services. She also noted that "non-traditional advocates" often spearheaded these efforts, and that "very rarely was the child care community the power behind them."

***General revenue funding***

In addition to income, property, and sales taxes, Ms. Mitchell highlighted an array of user fees, such as birth certificate fees and fees developers must pay to offset the impact of private projects on the public sector. She also talked about generating revenue through enterprises such as lotteries.

***Tax incentives***

Ms. Mitchell also highlighted the importance, in a "no new taxes" era, of using tax credits and other tax incentives as a way to generate revenue for child care. These kinds of tax strategies, Ms. Mitchell noted, are politically palatable even in an anti-tax environment and may offer a stable source of funds not subject to annual budget battles. Tax incentives for child care include:

- *The Federal Dependent Care Tax Credit.* This tax incentive, which allows families to write off a portion of their child care expenses depending on their income level, is the second largest federal investment in child care next to Head Start.

- *State Tax Credits.* Many states also offer tax credits for child care, Ms. Mitchell noted. She emphasized that to be useful to lower-income families, the credits need to be refundable for those who do not owe taxes. They also must be indexed for inflation and provide some level of support to all families. The amount set for the federal credit in the 1980s, she noted, "doesn't bear any relationship to the cost of early childhood care" today.

- *Dependent Care Assistance Plans.* Offered by states and employers, these plans allow a portion of employees' incomes to be set aside for child care and to go untaxed.

- *Tax Check-Offs.* This is typically a block on the tax form that allows taxpayers to direct a portion of their taxes for a specified use. Ms. Mitchell mentioned that Colarado uses a "tax check-off" for child care.

***Funding set-asides***

Ms. Mitchell also offered examples of state and local initiatives that use various kinds of tax strategies to set aside monies for child care and other children's services.

- *General Fund Set-Asides.* San Francisco several years ago passed a referendum, called Proposition J, that sets aside $14 million in property taxes each year for children's services and prevents the city's children's service budget from falling below a specified baseline. Seattle has a similar "families and education" levy. These kinds of measures not only help generate and protect funding for children, Ms. Mitchell noted, but they also require a new level of tracking, collaboration, and strategic planning to ensure the funds are used effectively.

- *Special Taxing Districts.* Florida authorizes "children's services taxing districts," which gives counties the option of levying property taxes specifically for children's services. These districts bring a number of players together to think and plan on behalf of all children, Ms. Mitchell noted, and they also help bolster public awareness

and support. For example, the children's service boards that oversee these special taxing districts publish their annual reports as color inserts in local newspapers. But Ms. Mitchell stressed that all these strategies often require sophisticated and intensive political campaigns. Proposition J, for example, must be renewed after 10 years.

- *Dedicated Revenues.* Some cities have dedicated a portion of sales tax revenues for child care. In one case, she noted, the initiative was designed to set aside money for affordable housing, but an influential city council member "heard something about the connection between the cost of housing and the cost of child care...and said maybe they should throw child care in, too."

- *User Fees and Lotteries.* Discussing innovative uses of fees and lotteries, Ms. Mitchell noted that Massachusetts is expected to raise $2 million for child care through the fees it charges for an "Invest in Children" license plate, which is a good public education tool in itself. She also cited examples of states that are using lottery money to fund children's programs—Georgia, most notably, uses all of its lottery proceeds to fund education, including a pre-kindergarten program, capital and technology projects for public schools, and college scholarships. She warned, though, that lotteries raise "controversial and legitimate values issues," since they feed primarily off of low-income populations and encourage gambling.

Ms. Mitchell emphasized that it often takes "unusual messengers" to get things done in this field. She also cautioned that with any of these tax strategies, it is critical to write the laws in such a way that you can't use these new tax revenues to simply replace funds that were already in the budget.

**Public-Private Partnerships**

Ms. Stoney opened her talk with a startling statistic: of the $40 billion this country spends on early childhood care and education, less than one percent comes from the private sector. "This is not big bucks, so you have to think really strategically about how to use private sector dollars," she said.

***Leveraging private interests and resources***

Ms. Stoney stressed that the more the private sector knows, the more effective it can be in helping finance early childhood services. There are many ways the private sector can be involved. She offered as an example a Florida study that identified the kinds of employees that used child care subsidies. As a result, the legislature passed a bill that made matching grants available for employers willing to pay for a portion of the cost of child care subsidies for their employees.

Ms. Stoney noted that unions can be a powerful force for leveraging resources. She described one large union in New York City, which conducts collective bargaining with 147 different employers, that raised almost $8 million to support child care vouchers, summer camps, and other supportive services for its members.

***Mandating benefits***

In studying mandated benefits linked to payroll taxes, Ms. Stoney and Ms. Mitchell found that temporary disability insurance can be an important source of support for maternity leave. While these plans are generally limited to 26 weeks, "this is precious time when a child is very young," said Ms. Stoney, who cited evidence from a New Jersey study that these plans are particularly beneficial to low-income families. New Jersey, in fact, has a plan where

employees share in the cost of this benefit based on their income level, and the fund was so flush that Governor Whitman "wanted to raid it to help pay for her deficit." The unions balked, however, and helped bring a bill before the legislature that would expand the leave benefit to cover any family member who must care for a newborn child or seriously-ill family member.

Ms. Stoney offered a word of advice for people interested in lobbying for temporary disability insurance in their states, however: get people who are injured or disabled to spearhead the campaign, and highlight the child care benefit only as a peripheral benefit. Her reasoning: "this helps everybody and spreads the risk across everybody—that's why it's so cost-effective."

### Allocating Existing Public Resources

Another option for funding early childhood services is to make child care an integral part of the budgets in a wide array of public agencies. In Ms. Stoney's words, "We need to look for money in the USDA. We need to look for money in higher education. We need to look for money in prisons—wherever we can find it."

#### *Education funds*

In terms of allocating general revenue funds to early childhood programs, the education arena is a great place to look for funding opportunities. These strategies can make important inroads in child care financing, Ms. Stoney said, because education is accepted as a public responsibility, while child care may not be. She noted that a number of states that have increased funding for pre-kindergarten programs have offered opportunities to link with community-based child care programs in interesting ways. Others have raised revenue for young children rather surreptitiously by lowering school entry age from five to four.

#### *Welfare reform opportunities*

Ms. Stoney also praised several states for having the foresight, in their welfare reform plans, to direct more dollars to child care and spread them over a broader population. For example, Wisconsin has tripled its child care spending, and Rhode Island passed an entitlement guaranteeing child care for families with incomes up to 185 percent of poverty. It also made the Rhode Island health program available to family child care providers.

#### *Coordination with other programs*

Ms. Stoney also urged participants to look for ways to make better use of the USDA child care food program, which requires visits to family child care homes to monitor their participation in the food program, as an effective tool for providing information and support to families.

### Participant Comments and Discussion

Some concerns participants raised during the question and answer period included whether it is feasible for urban centers with shrinking tax bases to give up a portion of property taxes for children's services; what kind of education process is needed to make temporary disability insurance a more valuable resource (the participant noted that doctors often will not approve more than a six-week disability period for women after giving birth); and how effective employer tax credits are as an incentive to provide child care.

## SESSION 3
## REFORMING STATE AND LOCAL TAX SYSTEMS: TAX INCENTIVES

### Overview

This session examined the role tax incentives can play in financing a range of services and supports benefiting young children and their families, including child care and community development. Tax incentives can be used to subsidize or encourage private investments in early childhood supports and services by providing tax advantages for actions such as spending on child care, lending to service providers, or investing in tax-exempt bonds for community facilities.

Tax incentives may take a variety of forms, including deductions, exemptions, credits, and abatements. They may be aimed at a variety of taxpayers, including families with children, low-income households, and businesses. Tax incentives offer several advantages over traditional spending programs, including greater political acceptability. Critics point out, however, that financing services through the tax code can result in an overall loss of revenue and less flexibility in the use of public funds.

Panelists stressed that:

- As with spending programs, "the devil is in the details"—that is, the design of tax incentives is critical to their effectiveness.

- The design and enactment of tax incentives should be considered in conjunction with other related tax, spending, and regulatory policies, such as overall tax or spending limits and the availability of outreach efforts.

- Processes should be put in place to periodically review tax incentives and ensure their continued desirability and effectiveness.

### Detailed Summary

Barbara Reisman, Executive Director of the Child Care Action Campaign, moderated this session, which focused on tax incentives states and localities can use to finance early childhood services—and ways to make them work better.

#### Overview of Tax Incentives

James St. George, Executive Director of the Tax Equity Alliance for Massachusetts, presented an overview of different types of tax incentives, who they can be targeted at, what the advantages and disadvantages are, and how to make them more effective.

- *Types of Tax Incentives.* Mr. St. George listed five categories of tax incentives: tax deductions, tax exemptions, tax credits, tax abatements, and no-tax floors.

- *Target Groups.* These kinds of incentives, he noted, can be directed at low-income families, all families, families with children (low-income or all), employers, renters, families or employers in blighted areas, or contributors to non-profit providers. Examples of tax incentives directed to individuals range from state earned income credits and dependent care deductions and credits to separate head-of-household filing. Examples of tax incentives for businesses include child care credits, job training credits, credits for hiring former welfare recipients, enterprise zone provisions, and tax increment financing districts.

- *Advantages.* Tax incentives, Mr. St. George noted, are easier to promote than spending increases, more efficient for providing services to large numbers of people, a more stable funding source than programs that must survive an annual appropriations battle, and easier to means-test—that is, to tie to income eligibility.

- *Other Considerations.* Mr. St. George offered a number of caveats in using tax incentives. For one, cutting taxes can drain resources from other, potentially higher priorities and cause future fiscal problems. Secondly, it is easier to mobilize support for employer credits than for individual credits, but they do not tend to work as well. Also, it can be very difficult for states that have "super-majority" requirements for raising taxes to eliminate tax incentives. Finally, using tax incentives can help to avoid imposing spending caps.

- *Design Issues.* Mr. St. George outlined several ways to insure tax incentives are effective and equitable. These measures include mandating a "sunset review" as part of the law; requiring an analysis of use and effectiveness; using refundable credits to target the incentives to low-income populations (credits offer greater benefits to lower-income families than deductions do in states with graduated income tax rates); supporting outreach and education efforts to spread the word to low-income families; indexing the incentives for inflation; and keeping application forms simple. However, Mr. St. George noted, "simplicity may conflict with efficiency and targeting."

**Tax Incentives for Child Care**

John Morris, Professor of Economics at the University of Colorado, discussed child care credits and other tax incentive options for financing child care. These include children's tax credits, tax credits for employer contributions to child care, property tax abatements for family day care homes, and credits for employees of child care centers. Mr. Morris stressed that businesses can reduce staff turnover and improve productivity by supporting child care for their employees.

Mr. Morris discussed the findings of a recent study of what it costs to fund high-quality child care versus what the public and policy makers are willing to pay. He cited a figure of $8,097 as the full cost of high-quality care. What people generally pay for high-quality care is more in the $6,000 range, he said, but what the state pays for subsidies is $3,000. That kind of child care credit, he suggested, is basically subsidizing "warehousing" of children.

Mr. Morris offered several recommendations on how to make tax credits for child care more effective. In his view, the credits should be:

- Refundable. Because timing is critical, particularly for low-income families, payments should be provided both in advance and more than once a year;

- "Large enough to matter" (at least 50 percent of the federal credit);

- High enough to cover high-quality care. This can be accomplished by not imposing a ceiling on the amount of child care expenses covered by the credit or making the ceiling high enough to cover quality ($6,000 or more);

- Based on income; and

- Tied to quality. For example, requiring parents who receive subsidies to use accredited programs is a way of assuring quality care.

Noting that two recent child care tax credit measures were rejected in Colorado, Mr. Morris stressed that there are fiscal and political obstacles to adopting these kinds of tax credits. Colorado, he noted, has a ceiling on total expenditures based on the previous year's level. Because the current economy is generating more revenue than the state is allowed to spend under the ceiling, the legislature cannot increase taxes. And because any repeal of a tax credit is counted as a tax increase, Mr. Morris explained, the governor will not allow any more tax credits—precisely the point Mr. St. James offered a warning about.

**Tax Incentives for Community Development**

Paul Pryde, Jr., President of the Capital Access Group, talked about how to use tax incentives to spur investments in low-income communities. Examples of such incentives are:

- *Tax-Exempt Bonds.* 501(c)(3) tax-exempt bonds have been used to help build facilities for such institutions as universities and hospitals. By lowering the interest cost on the money used to finance these facilities, the bonds also lower the lease payments and thus save on operating expenses.

- *Empowerment Zone Wage Tax Credit.* One type of tax incentive targeted at blighted communities is the empowerment zone wage tax credit. This tax strategy entitles employers to a credit against a certain percentage of the wages of employees who live and work in the zone.

- *Historic Rehabilitation Credit.* Mr. Pryde also talked about the historic rehabilitation credit, which is linked to the rehabilitation of buildings for specific purposes. If a child care center were to be housed in such a building, he noted, the sale of those credits to investors could be used as equity in the project, reducing the amount of debt and making it easier to finance.

- *Other.* Mr. Pryde also mentioned the provision of tax credits for contributions and loans to child care providers.

Mr. Pryde issued several warnings, however, about tax incentive strategies. He urged the audience to be aware that "the devil is in the details," and that the regulations are as important as the tax provisions. Also, abuses can and will occur, he said, and advocates must be prepared to make the case that the benefits outweigh the abuses. Mr. Pryde stressed the importance of considering the "interactive effects" of various tax incentives, because they can wind up reducing benefits. He also noted that tax bills tend to become "Christmas tree" legislation—bills laden with many extraneous provisions that can complicate passage.

Mr. Pryde advised against letting tax administrators design the incentives, because they are "in the business of saying no." But he recommended involving lawyers and accountants in the process so that they know what you are trying to do and can help make it work.

**Participant Comments and Discussion**

During the comment period, participants raised questions about using tax incentives as an alternative to other financing mechanisms and about specific tax incentive options.

- *Tax Incentives in the Bigger Picture.* Some participants argued that it is unwise to promote tax incentives as anything other than a last resort for funding early childhood services. The most challenging questions, Mr. St. George noted, come

from "people saying you shouldn't earmark money [through the tax system], because it takes flexibility away from policy makers to put the money where it is most needed."

Mr. St. George and other panelists agreed that tax expenditures are not the best idea from a policy standpoint, but they maintained that there are some instances where the benefits can outweigh the costs. Mr. St. George acknowledged the dangers tax incentives pose as "an unmonitored entitlement program that nobody pays attention to." But that same weakness, he noted, can be a strength when advocates need a funding source to meet pressing needs of low-income communities without going through an appropriations process.

- *Other Tax Incentive Options.* Participants also raised questions about options such as exchanging cash for tax credits and using the cash to finance operating expenses; transferring a charitable deduction to help finance other projects (Mr. Pryde said there may be a way to do this, but that, in general, charitable deductions are not transferable); and offering employers who set up child care centers some sort of credit against their unemployment taxes.

## SESSION 4
## CREATIVE USE OF FEDERAL FUNDS TO SUPPORT AN EARLY CHILDHOOD AGENDA

### Overview

Although welfare reform and other changes at the federal level have made states and localities wary of relying on federal funding, federal aid is still an important source of funding for supports and services for young children and their families. This session highlighted the opportunities and challenges involved in using various federal funding sources.

This panel highlighted the major federal programs serving children and families today:

- *Temporary Assistance for Needy Families (TANF).* TANF's replacement of Aid to Families with Dependent Children (AFDC) creates a new set of rules for funding child and family programs. TANF will increase state welfare funds for one year to move families from welfare to work, but eliminates or cuts funding in other areas. Two available options to meet child-related needs in less restricted ways are to transfer funds from TANF into child care and social services and to serve families using maintenance-of-effort dollars.

- *Medicaid.* The Medicaid program is another important source of funding for early intervention services. This funding has been used creatively for purposes ranging from case management to parent education. Key to the creative use of Medicaid funds is building the political will to develop and support initiatives and demonstrating the cost-effectiveness of programs.

- *Other Programs.* Another source of funding for comprehensive early childhood and family support services is the Early Head Start program. In addition, states and localities can increase federal revenues by drawing down matching funds from certain categorical programs that are still available.

Panelists stressed that the success of using federal funding sources to support children and families depends not only on money and knowledge, but also on collaboration. Initiatives often benefit from involving the private sector and community groups as well as governmental agencies.

### Detailed Summary

Frank Farrow, the Director of Children's Services Policy at the Center for the Study of Social Policy, set the context with this observation: welfare reform and other efforts to limit the federal role in supporting vulnerable families have caused some child advocates to flat give up on the federal government. "I often get the response, 'let's not even think about federal funding sources—we'll just stick with state and local,'" he explained. Mr. Farrow conceded that some avenues for funding are no longer there, and that others have become more restricted. But he reminded participants that the "funding strategy for children and families still has important federal pieces to it" and assured them that this panel would help explain how.

#### Overview of Federal Funding Sources

Norman Zimlich, President of Zimlich and Associates, Inc., proceeded to explain what the Social Security Act (SSA) can and can't do for children and families. Although the program

was designed as a "cradle to grave" support system, he noted, in 1990 only about five percent of the Act was devoted to children and families as opposed to the elderly.

*The importance of TANF*

The largest SSA program serving children and families today is the Temporary Assistance for Needy Families (TANF) Act, the welfare legislation that replaced Aid to Families with Dependent Children (AFDC). While Medicaid is one of the SSA's big ticket items at $100 billion, only about 30 percent goes to children and families and 16 percent of that amount to children directly.

When the TANF block grant swept in to replace AFDC, Mr. Zimlich noted, it swept out the Emergency Assistance (EA) Act—"one of our most flexible and successful funding mechanisms" for child and family programs. It is misleading to think of the one-year increase in state welfare money under the new law as a "windfall," Mr. Zimlich argued, because the TANF block grant eliminated about $1 billion in child welfare funding—$800 million from EA and $200 million from the Title 20 Social Services Block Grant. Few states will be able to maintain their previous level of spending on child welfare without those dedicated funds. He added: "They are going to be eaten alive in the race to cover public assistance with less and less state match."

On the bright side, states can transfer up to 30 percent of their TANF funding into the Child Care and Development Block Grant (CCDBG) or Title 20. There are other ways to use TANF for children's services, Mr. Zimlich noted, but the transfer option is the least restrictive. Once you transfer funds into CCDBG or Title 20, TANF eligibility rules, time limits, work requirements, and restrictions on teenage parents no longer apply; you can use the funds just as you were accustomed to under CCDBG and Title 20.

*Other aspects of federal funding*

Mr. Zimlich highlighted other changes ushered in by TANF, both negative and positive. He emphasized that Title IV-E and Title XIX of the SSA for the time being are still "open-ended," meaning the federal government must match the amount spent by state and local governments. Since these programs may eventually be turned into block grants and capped, he urged people to draw as much Title IV-E and Title XIX money as they can. "When you bring a program under the aegis of one of these, you get an ongoing steady stream of money coming into the program that doesn't require an annual application or passing a law," he noted.

Mr. Zimlich stressed that categorical programs "have not dried up yet," and maintained there is still a vast array of local public dollars that aren't drawing their possible match. He urged participants to study examples of school districts and other local government agencies that have drawn a federal match for services such as case management, outreach, and information and referral for clients in categorical programs.

**Using Medicaid to Fund Early Intervention Services**

Dennis Williams, North Carolina Medicaid Administrator, highlighted the potential and pitfalls of using Medicaid to fund early intervention services. The competing demands to maximize Medicaid revenues and slow the growth of the program would seem incompatible, Mr. Williams said. He also worries about how the health care needs of indigent people who receive support through Medicaid will be met as funding shrinks or is diverted. Mr. Williams also raised the concern that because public agencies tend to compete rather than integrate their services, "a substantial amount of our funding is duplication."

The possibilities are vast from a technical standpoint, he said; "the real issue is political will." Mr. Williams recited a long list of intervention services funded through Medicaid in his state, including:

- Comprehensive case management,
- Home visiting,
- Nutrition and parent education,
- Health services for schools, and
- Head Start programs.

The key to maintaining these services, he said, is demonstrating cost-effectiveness. These kinds of programs may be seen as maximizing state and local revenues, but if they don't boost the community's capacity to provide services in the long term, "all you are really doing is pulling down federal dollars to decrease funding at the state or local level." With the increasing pressures Medicaid is facing as a result of the erosion of private insurance, he said, it makes sense to look at intergenerational approaches. "Part of what has saved Medicaid is the fact that the disabled and the elderly are part of the program," he noted.

Mr. Williams said involving Medicaid, rural health, public health, and mental health agencies in initiatives on infant mortality and child health had helped improve service delivery in his state, and he stressed the need for "coherent public policy" on what Medicaid's role should be in financing these kinds of services.

**Using TANF and Medicaid Funds in the Wake of Welfare Reform**

Cynthia Mann, Director of the State Low-Income Initiatives Project at the Center on Budget and Policy Priorities, talked more broadly about funding options under TANF and Medicaid in the wake of welfare reform. She stressed that "state behavior will really shape how this thing works," since there isn't a lot of regulatory authority yet from the federal government. Ms. Mann noted that the main purposes of TANF and accompanying maintenance-of-effort provisions are to provide assistance to needy families; end welfare dependency by promoting job preparation, work, and marriage; reduce out-of-wedlock pregnancy; and encourage two-parent families.

Ms. Mann added clarifying detail on many of the points Mr. Zimlich made. For example:

- *Transfer Provisions.* If you want to transfer TANF dollars into Title 20, you must first transfer them into CCDBG—and you can only transfer one-third of *those* funds into Title 20.

- *Assistance vs. Non-Assistance.* TANF dollars can be used to fund child-related services more broadly without meeting the time limits, work requirements, and other restrictions in the statute if the aid you provide is not defined as "assistance," meaning cash or in-kind aid or some other benefit that has monetary value. One-time payments are exempt from that definition, meaning that technically you can use the funds for similar purposes as under the Emergency Assistance Act. "The distinction between assistance and non-assistance creates a wide range of opportunities," Ms. Mann said, but it also "creates a danger that TANF funds will be raided for purposes that have nothing to do with the well-being of children and families." She also noted that this provision will doubtless be subject to state interpretation.

- *Maintenance-of-Effort (MOE) Funding.* In discussing the rules for MOE funding, Ms. Mann explained that states must spend at least 80 percent of what they were



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spending in 1994 to receive TANF block grant funds. She then made a couple of important observations about MOE money:

1. You do not have to spend it on the same programs that TANF supports.

2. As long as you meet MOE requirements, you can serve families in programs that do not receive federal dollars without the restrictions that apply to TANF funding. The families you serve using MOE dollars must meet the TANF eligibility requirements, Ms. Mann noted, but these families do not actually have to be receiving assistance under TANF.

The important thing is not to supplant state dollars with the MOE money, Ms. Mann said—but it is not clear how careful states will be in meeting these conditions or how rigorous HHS will be in enforcing them. She also stressed that unlike under Title XIX and Title IV, TANF and MOE monies are finite sources of funds. The so-called "windfall" dollars available through TANF are supposed to be for moving families from welfare to work, and it's important to be sure that enough funds go into training and job placement efforts to meet that goal. Thus, it behooves people thinking of using TANF and MOE dollars for new child and family initiatives "to do it in collaboration with folks working broadly on generic welfare reform issues." Ms. Mann stressed that it is also important to find ways to serve groups cut off from welfare benefits under the new law, such as illegal immigrants and children served by the Supplemental Security Income (SSI) program.

Ms. Mann urged participants to continue their Medicaid revenue maximization efforts, but she alerted them to some potential obstacles. The President, for example, has proposed the idea of capping the payments individuals receive under Medicaid (note: that proposal had been dropped as of the latest budget agreement), and another proposal that may surface in budget negotiations is an across-the-board reduction in the federal match. Some of these proposals may have positive sides, she noted; a cap on payments, for example, would make it possible to cover more children and families.

**The Beethoven Project: An Example of Creative Financing**

Harriet Meyer, the Executive Director of the Ounce of Prevention Fund in Chicago, devoted much of her presentation to discussing the Center for Comprehensive Development (otherwise known as the Beethoven Project), a child development and family support program based in the Robert Taylor Homes housing project. Although the program was spearheaded by a private philanthropy, it involved support from and collaboration among a wide range of governmental and community-based agencies, other foundations, health providers, and academic institutions.

In describing lessons learned from the project, Ms. Meyer stressed that reallocation isn't enough: you need money to attract more money. You also need the best technical experts on integrated service design and "shameless" public relations. Ms. Meyer said her organization publishes countless papers and press releases and sends them everywhere—including the White House. While you don't have to do pure research to get your message across, she contended, you need to study the research closely to structure your programs so they have the best chance of success.

Ms. Meyer believes the single most exciting vehicle for providing comprehensive early childhood and family support is the Early Head Start program, because it offers resources and flexibility not only to pull services together, but also to train staff and bring in experts to ensure the services "really provide outcomes." She also observed that efforts like Early Head Start, which encourage building on what already exists, can foster a positive kind of service duplication. If pediatricians, child care providers, and home visitors all offer parent

education and support, she remarked, "this is not a bad thing—redundancy for children 0-5 is good."

### Participant Comments and Discussion

Questions were raised during the comment period about the potential to seek reimbursement for efforts to expand Medicaid coverage; how to get community providers together to collaborate on things like home visiting; and how to build collaborative local governance structures that can plan long-term financing strategies that have more impact than any one project.

The panelists reinforced, Mr. Farrow concluded, that even in a tight fiscal climate, much can be accomplished with the right mix of collaboration, local initiative, and sophistication about the law. "It's a matter of political will, not a matter of technicalities," he said.

## SESSION 5
## MANAGED CARE FINANCING

### Overview

Managed care is gaining importance as a way of providing and financing health, mental health, and other services. At least two-thirds of the states have used managed care in their Medicaid programs. What are the potential benefits and pitfalls of applying managed care financing to comprehensive supports and services for young children and their families?

Managed care can mean different things, but it generally refers to a mechanism to control or manage the use of resources. Supporters see it as a way to:

- Reduce service fragmentation;
- Increase accountability;
- Provide the least restrictive services at the community level; and
- Elevate the importance of tracking outcomes and linking them to interventions through management information systems.

Critics see multiple risks in moving to managed care generally and in using managed care to provide and finance early childhood services. They caution that managed care may:

- Not support early intervention and prevention or other needed support services;
- Erode resources for services generally;
- Result in poorer quality services; and
- Result in a loss of community participation.

Managed care is politically advantageous in an anti-government environment. However, the change from a regulatory to a contract environment that managed care demands can significantly affect eligibility, benefits, particular programs, and whole systems of service. It is imperative, therefore, for policymakers moving in this direction to go slowly and get the right language into contracts.

### Detailed Summary

Kay Johnson, Senior Research Staff Scientist at the Center for Health Policy Research at George Washington University, moderated the session and also described some of the work of her center—including a study that analyzed the master contracts for all 35 states that were doing "whole risk Medicaid managed care" in 1995.

#### The Shift from Regulations to Contracts

Ms. Johnson stressed that the transformation of our health care system to managed care is taking place in a highly deregulated environment. Most of the regulatory movement is associated with Medicaid, she said. One finding of the managed care contract study, Ms. Johnson noted, was that state Medicaid agencies "themselves have not made the transformation from thinking about their work in a regulatory environment to a contract environment." She also noted that people who want to do advocacy work in the managed

care arena are having a tough time figuring out how to go about it, since there's no particular "bill number" to refer to.

The shift from regulations to contracts has several important implications for states, Ms. Johnson said.

- Courts are more likely to take a state's side when it has gone through the kind of public rulemaking process that regulations require. When a state writes a contract with a managed care organization, she said, "the court is most likely to rule in favor of that managed care organization."

- Child mental health and maternal and child health agencies that have pooled funding to help the state draw down a larger federal match may also find that state Medicaid agencies are rolling all of that money into contracts and premiums. As it stands, Medicaid is a rich benefit package that "buys lots of things that conventional insurance has never bought," Ms. Johnson said, but if it is converted back to standard insurance it will be more difficult than ever to finance early intervention and prevention services.

**Getting a Handle on Managed Care**

Leslie Scallet, Vice President of the Lewin Group, used the metaphor of a blind man touching an elephant to characterize managed care: "It depends where you touch the elephant as to what you think managed care is." Although the term is being used all too loosely today, Ms. Scallet said, it is basically a mechanism to control or manage the use of resources. The concept can be applied to "things many of us have tried to do for many years," she noted; the biggest challenge is making sure managed care doesn't become a "white elephant."

***Models of managed care***

Although it started out as a way to control health care costs, Ms. Scallet stressed that there is no one model of managed care. A managed care organization may provide direct care or simply administer services, and it may take some risks or no risks. She also listed some techniques used in managed care, such as pre-authorization, concurrent utilization review, limitations on benefits packages, and selective contracting with organizations willing to negotiate a discount on services.

***Views of managed care***

Ms. Scallet said people in the mental health care community who pioneered the concept of "managed behavioral health care" see managed care as a way to reduce service fragmentation, increase accountability, and provide the least restrictive services at the community level. Opponents, she noted, see a risk of eroding what resources we have to provide necessary services—"the problem being that if this doesn't work, there's no system left as a safety net."

***Issues in managed care***

Ms. Scallet noted a number of issues and concerns in the use of managed care:

- *Incentives for Service Provision.* Health care providers that expect to serve their clients for the long term generally find it is in their interest to "give them all the services they need, so they don't become more costly," Ms. Scallet explained. But the financial incentives built into managed care may compel providers to under-serve and shift costly clients to other services.

- *Costs vs. Funding.* No one has accurately assessed the true cost of providing various services, leaving open the possibility of over- or under-funding.

- *Support Services.* Because managed care is based on a medical model, Ms. Scallet noted, there is also a danger of losing support services associated with social or behavioral models. It may seem obvious that people need transportation and child care to get the help they need, for example, but managed care contracts often won't reimburse for anything but "medically necessary" services.

- *Other Concerns.* Ms. Scallet raised other concerns about a lack of "quality assurance" in managed care; a tendency to pass over experienced providers in favor of those who offer more cost-effective contracts; and a loss of community participation in planning and delivering services.

**Changes in Managed Care**

Ms. Scallet described significant changes in the intent and purpose of managed care. It was designed as a non-profit model for hospitals and providers to try to organize services to provide better care, but the focus has shifted to for-profit organizations whose main goal is to reduce costs. Early health maintenance organizations were started by physicians and activists trying to provide comprehensive care, mainly to an employed population. "Now, the trend is toward including publicly-insured populations, and the owners of these organizations tend to be insurance companies or investors who are interested in profits," she noted.

Because the contracts are so competitive and management so subject to turnover, Ms. Scallet said, managed care providers have more incentive to reap short-term profits than to invest in prevention. As the public sector becomes more involved in managed care (in serving Medicaid recipients, for example), there will be more opportunities to shift the focus back to providing better care. Community health providers who enter into managed care can have a positive impact if they learn enough about the business to compete with for-profits, Ms. Scallet said. The question is: "Can community providers keep their values intact in the face of financial pressures that will be exactly the same as those that will be faced by for-profit corporations?"

**Applying Managed Care to Child and Family Services**

Ms. Scallet cited some dangers managed care might pose to serving children and families comprehensively. For example, community initiatives to combat service fragmentation with techniques like targeted case management often rely on "a patchwork of revenue streams"—with Medicaid as a key vehicle to fund services and "glue the system together." These systems "risk the abrupt loss of essential revenue unless they become partners in managed care," Ms. Scallet said. Services like EPSDT (Early and Periodic Screening, Diagnostic, and Treatment) may also be at risk, she noted, because managed care focuses more on individuals than on maintaining services or institutions. The child welfare system is also ripe for moving into managed care, she said. This movement may have good motives, like increasing preventive and rehabilitative services to help contain the cost of out-of-home placement. The question, asked Ms. Scallet, is "how much more blood can you squeeze from a stone?"

Ms. Scallet noted that in the rush to adopt managed care, decisions are being made and contracts are being written too rashly, resulting in lots of mistakes. Drawing on managed care studies she has worked on for the Annie E. Casey Foundation and the federal government, Ms. Scallet stressed that managed care takes a great deal of sophistication, time, and planning by both the public and private sectors. While different health sectors (e.g.,

physical, mental, and behavioral health) can learn from each other, she noted, there's also a danger of "extrapolating too broadly" from one system to another in adopting managed care.

**The Opportunities of Managed Care**

Anne Drissel, Director of Information Products for OPEN MINDS, offered a more upbeat perspective on managed care. She likened the era of managed care to the car replacing the horse and buggy and other historic moments when visionaries stopped trying to tinker with old systems and ushered in something totally new. "You can moan and groan about this, but the point is the language is here, the technology is here, and it's going to move," she said. Ms. Drissel acknowledged it may be scary and "ghastly" to accept the idea of "people out there making a profit on vulnerable people in our society," but that it's the American way for business to step in when you turn something into an economic model.

She also noted that this shift presents an opportunity for not just insurance companies or corporations but also community providers, hospitals, and government agencies to learn about "risk modeling" and new ways of structuring contracts and financing. Computer technology that allows you to "count and analyze things you never even knew" is a tremendous boon to this movement, she added.

**Tips on Transitioning to Managed Care**

Ms. Drissel offered advice in a range of areas to participants involved in the transition to managed care:

- "Go talk to those people who have the numbers and demand, insist, and force them to tell you what they know." It's critical to track and quantify and analyze data in order to demonstrate that you can do and have done what you say you will do to produce the right outcomes, she said.

- Talk to and work with Medicaid officials up front and let them know what their children and families need—because "once government people move into the formal contracting phase, there are distancing processes they must adhere to."

- Unless you are prepared to lobby an insurance management organization, she warned, "the time is now to make sure that the protections are in the Request For Proposal (RFP)." Ms. Drissell noted that when the process was controlled by legislation, advocates had a much better shot at lobbying for changes with Medicaid people, but in a contract scenario, "they're in the driver's seat."

- It is important to know how to write and word things properly in contracts. Ms. Drissel cited "horror stories" about contracts being awarded to organizations that had no doctors but were able to make a better case than the ones that did.

- Forming networks of small providers is critical, since organizations need "critical mass" to be able to operate at a scale that can support the kind of management information system needed for managed care.

- Learn as much as you can about the insurance process and about the technology needed to track children and families in the child welfare and other service systems. Other areas she urged people to familiarize themselves with include risk theory, practice management, and quality improvement. She referred to two Annie E. Casey studies on managed care, and to a new newsletter called "The Children's Vanguard."

published jointly by OPEN MINDS and the Child Welfare League of America, that will track various managed care initiatives across the country.

**Capitalizing on Managed Care: An Example at the Local Level**

Robert Ross, the next panelist, described challenges he's faced in shifting from running a health department to heading up a combined health and human services agency. Being caught between the managed care and welfare reform movements is incredibly daunting some days and exhilarating others, said Mr. Ross, now the Director of the Health and Human Services Agency in San Diego County. "If you love chaos and you love ambiguity, it's a great time to be in our business." Mr. Ross's agency is trying to seize the moment to create a seamless web of integrated services built around families instead of funding streams. Challenges ahead range from eligibility shifts and benefit changes to welfare restrictions on immigrants. Like other states with large immigrant populations, he said, "we're still wrestling with how to turn this thing into some semblance of lemonade for the families who are caught in the middle."

***Political advantages***

Mr. Ross noted that San Diego County's conservative, anti-government politics offer some advantages in the managed care arena. First, the county has been in the business of privatizing services for a long time—it leased and then sold its hospital 25 years ago and privatized its primary health care clinics 20 years ago. "Everything we do...is to make sure we're doing public-private partnerships, because anything that comes out of government's little brain is [seen as] a bad idea just because government was the messenger."

***Technical challenges***

In consolidating several departments into one health and human services agency, Mr. Ross and his colleagues have to mesh "tons and tons of multiple funding streams" into a coherent system to serve everyone from children and families to veterans to the elderly. Mr. Ross described two scenarios that illustrated in a dramatic way how fragmented and unworkable the system had become.

- An Institute for Educational Leadership training session compiled a book of all the eligibility forms a fictional family would need to complete in order to apply for multiple sources of aid. The book was 830 pages. "If I can come back to you in three years and the book is 200 pages, we've done our job," Mr. Ross said. "If that book is 1,200 pages, things are getting worse."

- Another "stunning indictment" of the system came when Mr. Ross learned that parents were spreading the word that "if your child has this diagnosis called severely emotionally disturbed, get a lawyer." The assumption was that the only way to "browbeat and intimidate" schools and bureaucrats enough to get services was by taking legal action.

***Lessons from the field***

Mr. Ross talked about how difficult it is to take model projects and "bring them to scale," and he described efforts in San Diego to redesign the entire service system "from scratch" with input from providers, families, and bureaucrats. Another challenge, he said, is to tie together all the collaborative groups working on integrated service projects and "get all this stuff to make sense." To do that, he said, "you've got to buy talent" and be willing to accept criticism. Mr. Ross and his colleagues, for example, flew in experts from the Annie E. Casey

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Foundation to critique their work—a process he said was as painful but beneficial as going to the dentist.

Describing some of the county's work on Medicaid managed care, Mr. Ross echoed others' advice about moving slowly and getting the right language into contracts. He also stressed the importance of tracking how resources are being spent on children and families and how prevention, family support, and high-risk spending stack up. Echoing Anne Mitchell's insight about "unusual messengers," Mr. Ross said San Diego's conservative leadership makes it easier to sell integrated approaches: "All I have to tell them is that we're going to do some things, it's not going to cost any more, we're not going to make government any bigger, and you guys get to brag about how you redid and overhauled the stupid county bureaucracy that you ran your platform on—and they love it."

### Participant Comments and Discussion

Participants and panelists raised concerns in the comment period about the dangers of managed care organizations getting different contracts to serve overlapping groups of people, how to be selective in paying for expert advice and training, the threat of losing EPSDT, and how to market and promote innovative revenue-generating ideas like using lottery proceeds to fund children's programs.

## SESSION 6
## REFORMING STATE AND LOCAL TAX SYSTEMS: REVENUE-RAISING OPTIONS

### Overview

A large portion of financing for early childhood services comes from state and local taxes or other general revenues. Accordingly, it is essential for people looking at ways to improve the financing of such services to understand issues of taxation and how state and local revenue systems can best support early childhood services. This session highlighted principles in raising tax revenues and examples of using earmarked funds.

### Principles

By many criteria, state and local tax systems should maintain broad tax bases and low tax rates. Policymakers should resist pressures to narrow tax bases—such as exempting certain items from sales tax and granting property tax exemptions to promote economic development—and should work to broaden the tax base wherever it is feasible. Also, tax systems must reflect patterns of economic change, such as the shift from a manufacturing- to a service-based economy, if they are to keep up with expenditure needs.

### Earmarking

Although earmarking limits budget flexibility, it can be an effective way of guaranteeing revenue for children's services as long as the revenue source grows in line with needs and does not limit the amount that otherwise would have been allocated. It is important to recognize, however, that earmarking campaigns can require intensive efforts to build broad coalitions, secure public support, achieve political victory, and ensure effective implementation. This session highlighted two examples of initiatives to earmark taxes for children's services:

- Efforts in Tucson, Arizona to set aside city and county general funds for children's programs; and
- A successful campaign in Massachusetts to earmark tobacco taxes for expanded health services for children and others.

### Detailed Summary

Margaret Blood, Vice President of the Success by Six program for the United Way of Massachusetts Bay, moderated this session, which highlighted strategies and principles to consider in raising tax revenue for children's services.

### Principles: Broad-Based Taxes are Key

Gary Cornia, Professor and Associate Dean of the Marriott School of Management at Brigham Young University, argued in his overview presentation that it is best to use broad-based taxes with a low rate to raise revenue. A small tax that cuts across a large population, he maintained, offers more flexibility and stability than a high tax with a narrow base. Mr. Cornia's basic message was that people concerned about financing children's services—from drug education to services for the disabled to early education—"need to become comfortable talking about broadening the bases." Mr. Cornia also described characteristics of an effective broad-based tax—such as stability, equity, and adequacy—and urged children's advocates to learn more about those kinds of criteria so they can "engage in the political process" on tax issues.

Mr. Cornia noted, however, that there has been "constant pressure" to narrow the tax base. Examples of such narrowing include:

- Corporate income tax provisions are written in ways that limit the amount of taxes corporations must pay.
- Exempting new properties to promote economic development stifles the property tax growth that would normally take place.
- Taking food out of the tax base makes sales tax revenues unstable and removes a great source of potential revenue. Mr. Cornia proposed broadening the sales tax to include food and allowing poor families to take a credit against their income tax so they can get the money back.

Mr. Cornia also made the point that our tax system is still geared toward a goods- and manufacturing-based economy, even though service and "knowledge-based" industries have become increasingly important. Because "we haven't figured out how to tax knowledge" and because efforts to tax services are few and far between, he noted, "the ability of revenue systems to keep up with expenditure needs is very difficult."

**Earmarking Taxes for Children's Services**

The following two speakers talked about their efforts, in two different states, to work the political process on behalf of more narrow taxes earmarked for children's services. Penelope Jacks, Director of the Success by 6 Children's Campaign of the Children's Action Alliance in Arizona, began by describing her work on a measure to earmark general funds for children's services in Tucson. Robert Restuccia, the Executive Director of Health Care for All in Massachusetts, followed by describing the successful campaign in that state to earmark tobacco taxes to support expanded health services for children and others.

**Earmarking General Fund Revenues in Tucson**

The measure advocated by Success by 6 was designed to set aside one percent of the Tucson general fund, or between $2 and $3 million, for before- and after-school and school vacation programs for latchkey children. The initiative garnered widespread community support and appeared to have enough votes to succeed, Ms. Jacks explained. But the mayor—who had been one of the proposal's most ardent early supporters—backed down at the last minute. He said he would only support a one-time funding increase for children's services, with a verbal commitment to work toward one percent over four years, depending on the state of the city's budget and other priorities. The upshot was that the City Council approved a $600,000 increase in spending for youth programs for one year.

The tax campaign got an unexpected shot in the arm, however, as a result of a change in the leadership and membership of the Pima County Board of Supervisors. The board's new chairman, a strong education advocate, wanted to see more youth services in the county. He helped garner support for an ordinance that earmarks one percent of the county's general fund, or about $2.5 million, to youth programs by the year 2000. The measure earmarks $700,000 for the fiscal year beginning July 1. At first, it was unclear whether the funds would be dedicated to prevention-type programs or diverted to help pay for youth law enforcement and prosecution. But when the funding was allocated in May, Ms. Jacks said, the bulk of it went to before- and after-school programs and youth summer jobs, and the rest went toward teenage pregnancy and child-abuse prevention services that the Children's Action Alliance also supports. The county supervisors turned over the job of allocating the money to a citizen

advisory panel with a strong social services orientation, Ms. Jacks noted, which bodes well for keeping the funding focused on its target group.

***Lessons from the Tucson campaign***

Ms. Jacks observed that the campaign yielded both positive and "unpleasant" lessons:

- One of the more "unpleasant" lessons the campaign organizers learned was that because Success by 6 is thought of as an early childhood group, some of its usual allies in the early childhood community were "less than forthcoming in helping us with a school-age project." It was disturbing to discover the lack of internal support among child advocates, said Ms. Jacks, who noted that the less unified the advocacy community is, the more "we give decision makers an excuse not to support us."

- On the positive side, however, the campaign unleashed "much wider support than we ever expected from the community at large"—which made Ms. Jacks and her colleagues realize that "we would have been much better off going to them from the start."

- Another lesson was that "widespread support doesn't guarantee political support." Ms. Jacks noted that in an initiative drive, convincing the community isn't enough if you can't satisfy the mayor and the dozen members of the City Council and County Board of Supervisors.

- Ms. Jacks pointed out that while good fortune played a role in the change of leadership on the county board, the intensive lobbying campaign in the city laid the groundwork for the county to assume a leadership role. "The city work came to fruition in the county," she noted.

**Earmarking Tobacco Taxes in Massachusetts**

Robert Restuccia, the Executive Director of Health Care for All, a nonprofit health care advocacy group in Massachusetts, described a successful campaign to raise taxes on cigarettes and other tobacco products in order to expand children's health coverage and other health services for Massachusetts residents. The bill, known as Chapter 203:

- Expands the Children's Medical Security Plan, which provides basic coverage for uninsured children, to cover children from birth to age 18 instead of age 12;

- Expands Medicaid eligibility to residents with incomes up to 133 percent of the poverty level and to children under age 12 in households with incomes up to 200 percent of the poverty level;

- Provides prescription drug assistance for elderly low-income residents; and

- Expands the Common Health program for the disabled.

The measure, approved in July 1996 over Governor William Weld's veto, has resulted in the most significant expansion in health care access in the state in almost a decade. It will:

- Provide expanded health care for nearly 300,000 Massachusetts residents.

- Extend health coverage to 80 percent of the state's 160,000 uninsured children.

- Increase the number of children covered from 24,000 to 125,000.

Although some of its provisions are being funded through Medicaid, key parts of the law are being funded through a 25-cent per pack tax increase on cigarettes and a comparable tax hike on cigars and other tobacco products. The coalition that lobbied for the measure also used the long-delayed repeal of a 1988 measure mandating that businesses with more than six employees provide health insurance as a bargaining chip to win bipartisan support.

***Critical elements of the Massachusetts campaign***

Mr. Restuccia emphasized that it took an unusually broad alliance of 70 groups working together to get the measure passed. The coalition included health care activists, hospitals, doctors, nurses, insurers, parents, teachers, senior citizens, the disabled, and low-income residents. The provisions targeting aid to the elderly and disabled were critical to winning this kind of widespread support, he noted. Legislators found themselves barraged by so many diverse groups beyond traditional health-care activists backing the measure that they were hard-pressed to turn it down.

Another important element of the campaign, he said, was that each of these groups worked at the grass-roots level, meeting with their representatives and senators in their own districts. This kind of organization was especially critical for the day and night rallying and phone-banking needed to win the two-thirds majority required in both houses to overcome Governor Weld's veto. The campaign, he noted, relied on four strategies:

1. Grass-roots activism around existing programs,
2. Identifying parents who could become activists,
3. Building a broad base of support, and
4. Political activism.

***The campaign as part of a larger process***

One lesson Mr. Restuccia offered was to think incrementally, but keep the "big picture" in mind. He described how Health Care for All did community outreach work and fought one legislative and political battle after another to build up what started as a small state program of primary care benefits for children into a source of nearly universal health coverage for children. Mr. Restuccia also stressed that passing the law was only the first step, and that the coalition has turned its efforts to educating parents and taking all the other steps needed to follow through with implementation and enrollment.

**Participant Comments and Discussion**

Questions and comments in the discussion period focused on tax and political strategies for financing children's services and how the various strategies described in this session applied or didn't apply to their states.

- *Tax Strategies.* Participants raised questions about the pros and cons of earmarking revenue and relying on "sin taxes" that can lose their power to raise revenue over time. Ms. Jacks noted that she "completely agrees" with Mr. Cornia's assessment that broad-based taxes are more effective, and she observed that she would not have proposed earmarking funds if her organization "had hired me to teach civics." She maintained, however, that in the case of children, who cannot lobby and vote, dedicating revenues is defensible and appropriate.

- *Political Strategies.* The speakers stressed the importance of building broad-based coalitions to build support for these measures. "One lesson we learned in Massachusetts was that there is very broad support for children's issues that you can tap into, but it requires being very conscious of building bridges" between groups with different specialties and interests, noted Mr. Restuccia. However, Ms. Jacks' experience highlighted that last-minute political maneuvering can scuttle the best efforts, and she warned that even a well-organized constituent base and the apparent support of all the key players will not guarantee political victory.

## SESSION 7
## REINVESTMENT STRATEGIES

### Overview

This session focused on strategies for reinvestment, which can be defined as reallocating existing funds or using savings to support services and supports for young children and families. Reinvestment generally involves using funds in new and different ways to improve outcomes for children and families.

A prime example of reinvestment is shifting funding from crisis-oriented services to preventive strategies. This kind of reinvestment has the potential not only to improve outcomes for young children and their families, but also to generate savings that can be used to fund additional services for this population.

During this session, panelists from Vermont and Oregon described reinvestment strategies that have produced concrete results in their states.

- In Vermont, investing Medicaid and cigarette tax revenues to fund health insurance for children has paid off in measurable outcomes such as decreased rates of child abuse and teenage pregnancy.

- In Oregon, reinvesting AFDC savings into day care and jobs programs has been critical to moving people from welfare to sustained employment.

Two current opportunities for reinvestment are created by the new welfare reform legislation, which changes the ways funds can be used to support young children and their families; and the transformation of our health care system into a managed care environment, which creates the potential for saving money that can be reinvested into child and family services.

The panelists stressed that reinvestment poses technical as well as political challenges. One of the key challenges is getting everyone across disciplines and sectors to agree on a common set of goals and to do business differently to attain them. Panelists emphasized the need to involve a variety of stakeholders, including businesspeople, legislators, and service providers. They also stressed the importance of building a common vision, core of knowledge, and understanding across groups of key players. Involving the community in planning reinvestment strategies is critical, because communities have diverse needs and know best what will work for them.

### Detailed Summary

Cheryl Hayes, the Executive Director of The Finance Project, moderated this session, which raised an overarching set of questions about the kinds of resources available for reinvestment and then offered specific examples of how two states are making use of them.

#### Experience with Reinvestment

Mark Friedman, the Executive Director of the Fiscal Policy Studies Institute, said there is only one reason to talk about reinvestment: to have some measurable impact on child and family well-being. He began by talking about "past squandered reinvestment opportunities."

- When the elementary school population dropped below 51 million children in 1972 and didn't come back up until 1996, Mr. Friedman noted, education spending dropped to below 4.6 percent of the Gross National Product (GNP). "There was an

opportunity to maintain our spending on education and do different things with it, like early childhood education—gone," he lamented.

- When welfare populations decline at the end of a recession, the money saved could be used to reinvest in an agenda for children and families—but it usually isn't, he noted.

- Managed care is another example. Some states have reinvested the five to 15 percent benefit to be had in going from fee-for-service to Medicaid managed care into prevention programs, but most haven't, he said.

Examples of opportunities not squandered, Mr. Friedman said, include the Marshall Plan and the G.I. Bill, which are still paying dividends today. More recently, he noted:

- States like Iowa and Vermont have done an excellent job of reinvesting money from Medicaid and other sources into child welfare and early education. California Governor Pete Wilson has issued an executive order requiring schools to reinvest Medicaid funds for special education into the state's Healthy Start program.

- Managed care conversions offer a great opportunity to expand eligibility for children's health benefits, Mr. Friedman said. Seven states now cover children six years of age and older whose family incomes are above 185 percent of the poverty level. "Is somebody tracking this and asking these questions and embarrassing them into being accountable for reinvesting those funds?" he asked.

- While some states have reinvested lottery proceeds into education (like Georgia), others that raised lottery money under the pretense of funding education "turned around and took it right out of the ADA (average daily attendance) formula for schools."

**Current Opportunities and Challenges for Reinvestment**

Mr. Friedman reiterated the point that the TANF "windfall" is offset by cuts, and he said the discretion states have in using TANF dollars could result in "a hefty chunk of that [being] ripped off by states trying to balance other priorities and not put into children." He lauded Tennessee and a few other states, however, for announcing they will provide 100 percent health coverage of children, either fully or partially subsidized.

Another opportunity Mr. Friedman urged people not to squander involves tracking and documenting the money saved from prevention efforts so it can be reinvested in child and family services. Several places have attempted to do this, he said, "but it ranks for me as the number one technical challenge of reinvestment."

Another technical challenge Mr. Friedman cited involves comparing what states got under the old system to what they get and how they spend it under TANF. Mr. Friedman also suggested a new challenge for the audit community that rests in protecting funding that could be reinvested in children and families.

**Vermont: Financing for Results**

Cornelius (Con) Hogan, the Vermont Secretary of Human Services, offered some personal history that has shaped his approach to human services: as a former prison guard, he learned about the futility and long-term costs of systems that don't work, and as a businessman, he learned the importance of investments and results. Mr. Hogan was able to drum up support for Success by Six, a state program that gives communities seed money to put together an

array of services for young children and families, by speaking bluntly with legislators about the poor state of children's school readiness and outlining his plans to change those results. "You will be amazed at the amount of reasonable political support you will get if you go out on a limb and say here's what we want to achieve," he said. He also noted that the state issues an annual report measuring progress on 51 different indicators.

Mr. Hogan said refinancing from federal and other sources is the secret behind why human services spending rose from 23 to 32 percent of the state's budget during a recession. State financing strategies include:

- Using matching Medicaid funds to bring health services to schools. Mr. Hogan had a contract with the commissioner of education based on a simple premise: "We'll give it (the Medicaid match money) to the schools, but you've got to use it for kids' health," he said.

- Imposing a heavy tax on cigarettes and using it to draw down Medicaid funds to raise money for expanded health insurance coverage.

- Using Medicaid matching funds to expand a health care program for children funded out of general revenues, raising eligibility up to age 18 and 225 percent of the poverty level.

- Investing TANF funds in child care. Although Vermont is struggling, like other states, to reserve some of its TANF funds for recessionary times, it also made a hefty investment—the largest ever in Vermont—in child care, Mr. Hogan noted.

These kinds of investments have paid off, he said, with statistics like a 20 percent reduction in teenage pregnancy rates in the last four years and a 30 percent decline in child abuse reports. Between using the cigarette tax money and Medicaid matching funds, the state now insures more than 95 percent of its children, Mr. Hogan said, and is aiming for 100 percent.

***Supporting reinvestment efforts: Issues and lessons from Vermont***

One arena for reinvestment that the state hasn't quite figured out how to support involves the community collaborative groups that have been springing up all over the state to help plan, pool, and govern community resources in an integrated fashion. They generally involve educators, citizens, social service providers, and other non-profit agencies. "What we haven't learned yet is how to really support these community partnerships and be real partners so they have the tools they need," Mr. Hogan said.

One concept Mr. Hogan uses to stimulate reinvestment is "localizing"—tracking indicators of progress by county and school district. Mr. Hogan said he had businesspeople in one county "pounding on the table and saying how do we change this" when he showed them that their county's child abuse rates had risen while the overall state numbers dropped.

Social-services types need to do a much better job of relating to other constituencies, including businesspeople and legislators, in order to sell the "economics of prevention," Mr. Hogan said. The state needs to develop new ways of doing business and relating to communities that are "in different places in this agenda."

**Oregon: Community Planning for Reinvestment**

Janis Elliot, Administrator of the Child Care Division of the Oregon Employment Department, described some of Oregon's efforts to "bring early childhood people to the table" in planning community reinvestment strategies. An out-of-control referendum system



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in Oregon, she noted, has spawned ballot measures encouraging prison construction and other kinds of spending that divert resources from early childhood and family support. Because Oregon is a huge state with a small population concentrated in a narrow area, "we have no choice but to be driven to the community level," Ms. Elliot said.

The department has divided the state up into regions and has three major initiatives operating together in the same regions: child care resource and referral services, a family self-sufficiency program, and workforce quality committees. Every county also has a commission on children and families charged with comprehensive planning for families with children from birth to age 18. Ms. Elliot noted that because 85 percent of the funding for early childhood care and education in Oregon comes out of parents' pockets, it is critical within and across sectors to understand the "market-driven characteristics" of child care.

The state, she said, has identified and devoted a lot of effort to meeting the following challenges:

- Organizing early childhood care providers who were not sophisticated in finance matters so they could play a key role in reinvestment strategies;
- Uniting different sectors of the early childhood community, from family day care to child care centers to Head Start, behind a common vision; and
- Helping the early childhood community understand the funding mechanisms and cultures of other sectors that are essential to reinvestment.

A key piece of the community reinvestment planning process, Ms. Elliot noted, is the Social Supports Investment Work Group (SWIG), a group created by the governor to identify social supports critical to education, workforce productivity, and successful children and families. The group helps sort out what role the state should play in providing services or serving as a catalyst or investment partner for communities. The SWIG has been instrumental in providing "clear language" about what the state and communities can expect when they enter into partnerships, Ms. Elliot said.

**Oregon: Reinvestment Strategies Before TANF**

Jim Neely, Deputy Administrator of Adult and Family Services for the Oregon Department of Human Resources, talked about reinvestment strategies the state had launched before TANF. Before the welfare law passed, he said, the state had already begun to negotiate with the federal Department of Health and Human Services to reinvest money the state had saved by reducing its AFDC caseloads. Although HHS wouldn't agree to a block grant to reinvest those funds, it compared how Oregon was doing in reducing welfare caseloads to the rest of the country and said it would "allow us to reinvest the difference between those two," Mr. Neely explained.

Mr. Neely also described how the state has reinvested its own funds by shifting money saved on AFDC maintenance costs to employment-related day care and jobs programs. Spending on employment-related day care, for example, has increased from $10 million in the 1989-1991 biennium to a projected $100 million in the 1997-1999 biennium. As a result, he said, "we have gotten quite good at putting people to work and sustaining them there."

Because welfare dependency varies sharply by county, he noted, it has been important to let local welfare officials guide the state in its reinvestment plans. "The local offices not only had the best ideas, but knew exactly the kinds of things they needed to have done to make this work," he said. With a goal of helping people get off and stay off welfare, the state turned to community partners for ideas on how to reinvest the $8 million in funding it had negotiated with HHS. The only problem, Mr. Neely noted, was that "when we set out to have counties tell us what they needed...we got about $36 million worth of requests back."

Even after weeding through those requests, however, the state was able to fund 79 different projects that Mr. Neely says are critical to the state's long-term health. "If we don't plow money back into these sorts of prevention strategies," he said, "ultimately we won't be able to afford welfare reform."

### Participant Comments and Discussion

During the comment period, Ms. Hayes underscored the need to identify reinvestment opportunities and ensure they aren't "wasted, diluted, or ripped off" for purposes other than early childhood and family support. Mr. Friedman elaborated on some of the opportunities still available under Medicaid and Title IV-E of the Social Security Act, and Mr. Hogan gave a pitch for the "80-20" rule—seeking investment opportunities that will require a 20 percent effort for an 80 percent return.

Ms. Elliot said what's hardest about reallocation is getting everyone to agree on a common set of goals across disciplines and sectors and being willing to do business differently to attain them. Another major challenge, Mr. Friedman said, is to redeploy the enormous amount of money spent on remedial services. "If we can go from 40 percent to 39 percent," he noted, "that's billions of dollars in this country."

Panelists and participants offered examples of states redirecting money into prevention and stressed the importance of local involvement in reallocation decisions. Other questions and comments concerned how to enlist all sectors of the community in focusing on outcomes; how to balance investments in child care and prevention programs against setting aside funds for a recession; and how to expand children's health coverage.

## SESSION 8
## ECONOMICALLY TARGETED INVESTMENTS

### Overview

This session examined ways of using private investments to finance supports and services for young children and their families. The panelists introduced participants to various private sector financing concepts, models, and tools that have been or could be applied to financing early childhood supports and services. They also outlined how involving the private sector in financing early childhood services can help leverage public sector dollars and take advantage of market interests and mechanisms.

Economically targeted investments (ETIs) are strategies aimed at attracting private financing to fill capital gaps for purposes that yield social benefits, such as construction or renovation of social service facilities, development of small businesses such as family day care homes, and revitalization of distressed neighborhoods. These kinds of projects typically have trouble drawing capital because of perceptions of high risk and low return, high transaction costs relative to the size of the investment, and the financial inexperience of service providers. The panelists offered guidance on how to use public-private collaborations and innovative financing mechanisms to overcome these barriers and direct private resources where they are needed.

The panelists described several strategies that can be used to bolster private sector involvement in financing child and family services and community development. These models include:

- Requiring banks to invest in the community they operate in through the Community Reinvestment Act;
- Encouraging institutional investors such as public pension plans to make targeted investments;
- "Securitizing" assets in order to create new capital by selling a stream of revenues;
- Issuing bonds to raise money for lending to providers; and
- Improving provider access to loans and technical assistance.

The panelists also touched on other mechanisms to encourage private investments, such as loan guarantees, tax incentives, and trust funds.

To involve the private sector in financing services and supports for young children and their families, the public sector must learn to work collaboratively with such players as employers, foundations, lending institutions, investors, and private-sector providers. While human service providers in the public sector may be unfamiliar with these kinds of financing strategies, they can pursue them successfully if they team up with professionals in other fields who have relevant experience and expertise. Partners may include business and industry leaders, community development corporations, economic development officials, finance experts, and others who understand private sector finance and can find creative financing solutions.

### Detailed Summary

Ellen Galinsky, President of the Families and Work Institute, moderated this session, which focused on using private investments to help finance child care and related services. The

panel included finance professionals and child advocates with expertise and experience in using private sector finance mechanisms for human services and community development.

**Overview of ETIs**

Richard Ferlauto, Associate Director of the Center for Policy Alternatives (CPA), briefly described his organization, which helps states find new sources of funding and use them creatively to meet community needs. The Center has been working on a project that involves using economically targeted investments, the subject of this panel, to help finance child care facilities.

***Potential***

Mr. Ferlauto stressed the importance of stretching, expanding, and leveraging private sector dollars in new ways, because public dollars are only going to get more limited. He focused primarily on how to tap institutional investment dollars that come from pension funds, mutual funds, insurance companies, and endowments controlled by foundations, banks, hospitals, and universities. Large financial institutions have nearly $18 trillion in financial assets. About $30 billion from pension funds and insurance companies have been invested in economically targeted projects, Mr. Ferlauto said. Currently, only about $3 billion of those dollars are made available, through community development institutions, for investment in housing and economic development, and only a small sliver of that is used for social and human services.

Three years ago, Mr. Ferlauto said, the CPA helped craft a change in the Community Reinvestment Act, which mandates banks to reinvest in the communities they operate in, directing banks to look at children and family facilities as an opportunity for investment. He explained, though, that there are several barriers to this kind of investing, such as a lack of awareness of what "prudent" investments should look like, a perception of high risk and low return, and high transaction costs. Another major challenge, he said, is to bridge the gap between different sectors of the investment community so that "private sector investors will be able to link and understand how their money can be used to do social service investing."

Economically Targeted Investments are one vehicle to do that. Mr. Ferlauto described three components of ETIs:

- They must earn a risk-adjusted market rate of return;
- They must invest in communities that have a gap in capital resources; and
- They must add a "positive social outcome" that didn't exist before, such as a health care institution, affordable housing, or new jobs.

***Partnerships***

Government can be a leading catalyst in putting together these kinds of investments—not necessarily by providing the resources, but by forming collaboratives with financial institutions, community organizations, and service providers. A key role of these collaboratives is to "identify and catalogue" community strengths and sell them to investors. Mr. Ferlauto also talked about how the public sector can use loan guarantees, development trust funds, capital access programs, flexible block grants, tax incentives, and other tools to leverage private sector dollars.

Mr. Ferlauto advised human services providers to team up with community development corporations that have the expertise and technical capacity to package financing deals and attract subsidy. Several financial institutions can form consortia to finance a particular project and share the risk, and they can do joint ventures with non-profit

organizations. Another vehicle that foundations such as Ford and MacArthur have used to invest in communities, Mr. Ferlauto noted, is "program-related investments"—contributing money from their endowments and lending it out as below-market loans. He also talked about secondary markets—putting together loans made at the community level using public sector dollars and selling them to private investors.

Mr. Ferlauto suggested discussing these and other ideas with state treasurers, who control state public investments. One option is getting state pension funds to buy bonds—in Massachusetts, he said, the state treasurer has begun to buy a series of community development and low-income housing bonds to purchase and rehabilitate affordable housing linked to social services. Hospitals and universities are also good places to seek investment dollars, Mr. Ferlauto said, because they have large endowments committed to "seeing the success and continued preservation" of their own communities.

*Payoff*

It may take a long time to develop the language and track record for human service providers to apply these financing strategies to child and family facilities, Mr. Ferlauto said. "But once that happens, we'll find a financial pipeline that will open up many millions of dollars that not only have we been cut off from before, but that we had no understanding of how to access."

**Asset Securitization Model**

Paul Pryde, Jr., President of the Capital Access Group, shifted the discussion to "asset securitization." Getting investors involved in low-income communities is hard, Mr. Pryde said, because they fear they won't get a return on their investments, and because the transaction costs—the cost of identifying a buyer and doing all the due diligence that is necessary—are too daunting relative to the size of the projects.

One way to overcome these obstacles is asset securitization (a term Mr. Pryde suggested was dreamed up by demented investment bankers trying to take vengeance on their English teachers). Asset securitization, he said, is the sale of notes or security certificates backed by the cash owed from a pool of loans. The concept originated in the mortgage market with groups like Fannie Mae, but has spread to everything from computer leases to credit cards to cable subscriber fees—even educational loans made by the federal government. To illustrate, Mr. Pryde explained in detail how banks make a profit from securitizing credit card debt.

"Everything that has a cash flow is being securitized," Mr. Pryde said. As long as you can prove a predictable cash flow, you can get a market rate of return on these transactions. Using a housing analogy, Mr. Pryde likened asset securitization to taking out two mortgages on your home—the first mortgage you get cash for, and the second you take back when you sell your house.

Mr. Pryde outlined several advantages of securitization:

- You don't need much capital, because you are continually making loans and selling them.
- Pooling large numbers of loans protects investors from losing a large portion of their assets if a loan defaults.
- Unlike other kinds of investing where someone who has performed badly can make an argument for more money on the basis of need, securitization rewards good performance—"if you know what you're doing, you can sell your loans and get money to make some more money."

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*Application to early childhood finance*

Mr. Pryde noted that asset securitization is a good way to leverage public money for human services. For one thing, he noted, private capital does not have the same regulatory restrictions as public money. People who make credit available to small businesses or development projects, he asserted, "think securitization is one of the big keys to getting access to private capital."

Mr. Pryde outlined two ways asset securitization can help in financing child care. The first is pooling the sale of loans for child care-related "receivables," such as loans for facilities and operating capital. This can be done as long as the asset that is being sold has a performance history and can continue to collect the money. The second strategy he outlined involves securitizing non-child care-related receivables to create child care-related lending programs—for example, using the revenue from securitizing community development block grant loans to make loans for child care.

**Models from the Illinois Facilities Fund**

Karen Seabury, the Director of Finance for the Illinois Facilities Fund (IFF), described her organization as a private non-profit institution that does community development lending. The Fund makes loans to social service agencies, including child care providers, at below-market rates and also does consulting for non-profit agencies. Ms. Seabury described two IFF projects: a partnership with the State Department of Children and Family Services (DCFS) to build seven child care centers serving 1,300 children, and a bond-pooling program that bundles loans and sells them to a group of banks through trust funds.

*Child care centers/Bond program*

The success of the first project, she said, hinged on "a lot of existing relationships" with state and community agencies. A critical component, she noted, was that DCFS was willing to guarantee the IFF a contract to repay whatever financing it could bring in on top of the regular operating funds the state provides to child care operators. Other key players included the Chicago Community Trust, which provided a $2 million grant that helped lower the risk and raise credibility with financial institutions; the MacArthur and McCormick Foundations, which made low-interest loans to help supplement the buildings; and the child care providers themselves, selected through an RFP process, who had to come up with 10 percent of the cost.

The IFF was eventually able to issue bonds that covered 60 percent of the project, which cost about $21 million, Ms. Seabury said. The IFF will own the child care buildings until the debt is paid off, at which time the titles will transfer to the child care providers. The loans are for 12 years at 7.4 percent; providers are paying about a dollar a week every year in addition to a minimum management fee associated with managing the buildings and maintaining a debt service reserve fund.

*Bank consortium/Loan program*

The second program Ms. Seabury described involves a bank consortium that provides $10 million in funding for loans. The IFF lends to many types of social service industries, with child care centers accounting for about 20 percent of the loans. If one of these loans qualifies for the bank consortium, which is designed for its strongest loans, the IFF sells the loan in the form of a trust note, backed by the cash owed from a group of loans, to a group of six banks in Chicago. Construction must be completed on the project for the loan to be included in the bank consortium. The IFF maintains servicing of the loans and guarantees payment, retaining an administrative fee for the service. The IFF has also set up a reserve fund of three

percent of its loan receivables so banks will feel confident "that we really have the liquidity and the ability to buy them out if one of our underlying loans was to go bad."

**Models from Mississippi: Investing in Child Care**

Jane Boykin, President of the Mississippi Forum on Children and Families, has worked closely with Mr. Ferlauto at CPA on a project to make improvements in family day care homes. In rural Mississippi, she explained, family day care homes are a "critical piece of the child care structure," accounting for about 60 percent of all day care for pre-schoolers. She also noted that the growth in service jobs—from 24-hour casinos to 24-hour catfish plants—means "the traditional child care model is not serving the needs of the children with greatest need."

***Enabling provider improvements***

Ms. Boykin described a series of efforts, spearheaded by a partnership with the State Department of Education and supported by grants from foundations, to study family day care in the state, upgrade the image of home providers, and form networks of providers. The Forum then got funding for a revolving loan fund that makes small loans to struggling providers. "So often their access to increase quality is a matter of the $75 dollars to have their home inspected and the price of a fire extinguisher or a smoke detector," Ms. Boykin noted. These loans are also a "great way to build up a credit history" for providers with little experience handling money.

***Attracting lenders***

The next step, attracting lenders to improve family day care homes, was a lot trickier, Ms. Boykin said. For one thing, traditional lenders aren't accustomed to making business loans to improve residential property. For another, the providers are not sophisticated in filling in loan applications. To overcome these kinds of hurdles, the Forum worked with a local bank and representative from the Small Business Administration's Atlanta office, and it also developed a "low literate form of a loan application" that providers could manage without going through a community development corporation. The Forum has also worked closely with businesses, such as Whirlpool and Levi Strauss, on a campaign to recruit providers; finance background checks, training, and home inspections; and enroll day care homes in the USDA Child Care Food Program.

***Providing technical resources***

Ms. Boykin stressed the value of using school lunch programs as the sponsoring agency for the child care food program in order to take advantage of nutrition and other outreach services. Using this link, the Forum launched a project, supported by IBM and Allstate, that transformed a Winnebago into a resource center for child care providers. Besides visiting child care homes to carry out the requirements of the USDA program, the Winnebago offers training sessions and stocks everything from books and training films to photocopiers and laminators. The Winnebago serves 45 homes and has one teacher, funded through the USDA program or other targeted school district monies, who works with providers and children as she makes her rounds. Chapter 1, Part H funds were not used in the demonstration but can be replicated with this program.

***Other approaches***

Ms. Boykin mentioned other Mississippi initiatives for increasing private sector financing of child care. These include a tax credit for businesses that contribute toward any child care-related costs and plans for a facilities loan fund to set up child care centers in industrial parks.

### Participant Comments and Discussion

Questions and comments in the discussion period emphasized collaboration and intellectual problem-solving as keys to greater involvement of private financing in early childhood services.

- *Collaborating with Private Sector Players.* Panelists stressed the importance of teaming up with business and industry people, departments of economic and community development, and community development corporations to learn their language and seek their expertise in these kinds of financing arrangements. "What you've got to do is figure out how to attract their attention, how to change public policy so that child care and human service delivery gets to be part of the mission of the economic development agencies," Mr. Ferlauto said. Ms. Boykin also urged participants to use sound economic reasoning rather than "give me" numbers in working with businesspeople.

- *Solving Finance Problems Creatively.* Mr. Pryde also emphasized that what people think of as money problems are often intellectual problems—figuring out how to access monies from nontraditional sources. Investors are trying to figure out what to do with all the money they have, he noted, and "it isn't that much of a leap, really, to figure out what's a new thing that can attract some of these dollars." He also made the point that a $3,000 problem is only a $1 problem for 3,000 people—meaning there are ways to spread costs that may seem daunting across a large number of people—for example, charging an extra dollar a month in rent to help provide subsidized child care.

## SESSION 9
## DECATEGORIZATION

### Overview

The final session focused on another financing strategy to achieve better results for young children and their families: decategorization. Traditional "categorical" programs are designed to address narrow categories of people, problems, or interventions and generally come with lots of strings attached to the use of funds. These kinds of restrictions make it difficult to address the multiple and interconnected needs of children and families.

"Decategorizing" involves using funding streams and providing services without being saddled by these kinds of restrictions. The premise is that when states and localities have the ability to use funds more flexibly, they can design programs that respond more holistically and more efficiently to the needs of children and families.

This session provided three examples of initiatives that successfully decategorized child and family services, including early care and education, child welfare and family support services, and a broad range of human services. The panelists shared how their decategorization efforts had helped meet the needs of children and families more effectively and also reduced administrative costs in some cases.

According to the panelists, the following elements are critical to achieving better results through decategorization:

- Changing the mindset of persons accustomed to categorical approaches.
- Moving decision making closer to the communities and families using the services.
- Community involvement in setting goals, planning, and decision making.
- Measuring and tracking outcomes to assess progress toward desired results.
- Developing sophisticated management information systems.
- Integrating administrative, computer, fiscal, personnel, and other support systems.

The panelists cited several challenges they faced in their decategorization efforts, notably overcoming resistance to changing traditional agency and provider ways of thinking and acting. But they also offered encouragement to those interested in decategorization by sharing some lessons learned from their own experiences. The presenters stressed the importance, for example, of:

- Moving slowly;
- Involving and communicating with agency and community leaders, staff, and providers;
- Building and sustaining consensus;
- Offering incentives for collaboration; and
- Addressing the concerns of those who will be directly affected by changes.

**Detailed Summary**

Baron Holmes, the Assistant Executive Director of the South Carolina Budget and Control Board, opened the session by describing his work as a "reformed budgeteer." One of his main roles, he said, is to look for ways of investing state money "that would make our indicators in South Carolina look halfway decent." To that end, he is involved with projects like the Annie E. Casey Foundation's Kids Count and the Carnegie Corporation of New York's middle-grades initiative. Mr. Holmes made the point that in a poor state with a conservative legislature, it's critical to demonstrate success to get anyone to invest in anything. School performance, health, risk-taking behaviors, and emotional well-being are four key areas that legislators want to see results in, and it is a lack of persuasive approaches to resolving the problems that keeps legislators from responding to funding requests. "Elected officials buy anticipated results, not costs," he said.

**Overview of Decategorization**

Frank Farrow, the Director of Children's Services Policy for the Center for the Study of Social Policy, plunged into a discussion of how to define decategorization. Basically, he said, it involves taking the "many funding streams that we've all complained about for years" and putting them together without the restrictions imposed by separate funders. It also involves moving decisions about how to use those funds to a point lower in the hierarchy—moving dollars and decisions about dollars closer to where the dollars are spent and where families and children "get help from the dollars."

There are many different models of decategorization, Mr. Farrow said, but the driving principle is to respond more flexibly to the needs of families. There is also an "efficiency argument," he noted, based on the assumption that you can save on administrative costs if you can replace 17 reporting forms with one. People also view decategorization as a critical tool for shifting funds spent on "deep-end" crisis services into prevention.

Mr. Farrow made several observations about decategorization:

- It is easier to decategorize dollars than it is to change the way we have been trained to think about programs in separate categories with separate pots of money. Even when funders loosen the rules, he noted, "there are provider constituencies built around these dollars that are not about to let them change easily." In states like Iowa that have used decategorization on a "major policy scale," agencies have changed their spending patterns incrementally over a long period of time and with a lot of renegotiation along the way, he said.

- When a funder takes away the existing restrictions on a funding source, what takes their place? "Hopefully, results and outcomes" become the new yardsticks, Mr. Farrow said. A "healthy development," he said, is the shift that occurs when funding is associated with a community and its goals rather than a specific funding stream. Replacing an "agency construct with a geographic construct" raises questions, however, about how to reallocate money based on geographic units and who makes the decisions about how to spend the decategorized dollars. If the voices of the families affected aren't included, the decisions may not change much, Mr. Farrow said.

- Other questions to consider, Mr. Farrow said, are how do you maintain important protections for vulnerable populations within a more flexible pool of dollars? Also, what are the implications of "decategorizing professionals" so that people have a broader vision and definition of their work with families and communities that isn't tied to specific labels or agencies?

**Integrating Head Start and Day Care: New York City**

Allen Kraus, President of AKG Solutions, talked about his work with the United Neighborhood Houses, an association of 37 settlement houses in New York City. The Ford Foundation provided this association with "walking-around money" to recreate and expand on the settlement house concept of a century ago. A major goal of this project is to integrate Head Start, day care, and, eventually, early intervention services for children with special needs. Mr. Kraus described the frustrations, in typical Head Start or day care settings, of having to keep re-evaluating children in different ways for different programs and funders. "We want to wrest control of that and make it a neighborhood thing," he said. Another goal is to join forces with welfare-to-work and jobs programs involving the same families with children aged 0-5.

Mr. Kraus described the challenges of merging two programs—Head Start and day care—with very different ways of operating. He outlined differences between the two programs with regard to the age of children served; family income; number of hours per day and days of service per year; provision of social services; and requirements for parent involvement, intake procedures, auditing, and licensing. He also remarked that the two programs had separate unions and management councils with "very, very different attitudes." For example, Head Start leaders assumed child care providers didn't know anything about child development, and day care managers said, "'My God, they think they're so superior.'"

Under the model designed by United Neighborhood Houses, it took three years to merge Head Start and day care into one child development program, Mr. Kraus said. Besides giving children a richer experience and providers more resources and opportunities for growth, Mr. Kraus said, the arrangement "shakes the cobwebs off" staff and managers and addresses family needs better.

While there are still rules that have to be applied to each group, the merger made it possible to:

- Adjust the days and hours of service to fit families' needs,
- Rethink the curriculum to offer the best practices,
- Bolster parent involvement in social service provision, and
- Consolidate the management of several different programs into one administrative staff, one budget, and one licensing procedure.

Barriers included:

- Overcoming resistance from unions,
- Changing staff attitudes, and
- Allaying people's fears about losing their jobs.

To be successful in a campaign like this one, Mr. Kraus said, it's important to understand what motivates people to collaborate, build relationships with people in leadership positions, and understand that "not everything you want to do is directly related to serving the clients." When you get people together and ask them what's right and what's wrong, he noted, you may find that "what's wrong is that they haven't had anybody buy them a chair for 10 years."

**Decategorization as a Process: Linn County, Iowa**

Marc Baty, Human Services Administrator for Linn County, Iowa, talked about a decategorization effort initially involving about $7.5 million in child welfare money in the Cedar Rapids area. The effort, launched about five years ago, involved the County Board of Supervisors, the Juvenile Court, the Department of Human Services (DHS), and later, the United Way. While Mr. Baty jokingly referred to DHS as "the Klingons," he emphasized that even though most of the money being decategorized was in the DHS budget, the people involved in the effort worked together as equal peers.

The group began by identifying what Mr. Baty called patches, a word that means neighborhoods in Great Britain, to apply decategorization concepts like fiscal flexibility, local decision making, and community involvement in planning. After working with these neighborhoods, the group began to accumulate "carryover dollars," money not spent on traditional services in a given fiscal year. As the project grew in scale, the group set up a family resource development association—about 30 public and private local, county, and state entities that use decategorization dollars to establish family resource centers throughout Linn County. The Linn County Chamber of Commerce, local government, corporations, and foundations also enlisted the help of the Civic League in Denver to involve the whole community in a "vision process." The effort resulted in a document called Foresight 2020, which identified eight performance goals.

Mr. Baty noted that Linn County is one of four sites involved in a foundation-funded program called Community Partnerships for Protecting Children, and he also mentioned that the county was just designated as one of 13 "innovation zones," a new state program spearheaded by family policy expert Charlie Bruner that provides support for decategorization efforts.

*Advice from Iowa's experience*

Like other speakers, Mr. Baty highlighted the challenges of changing old habits and mindsets and resolving turf battles over "power, control, and money." Like Mr. Farrow, he stressed that the "defining idea" has to be community, and that people have to be willing to change the rules.

Mr. Baty underlined the importance of defining the "it"—what you are trying to change and how you will measure that with outcomes, benchmarks, and indicators. "You can't give decision makers anecdotal stuff anymore," he said. "You have to give them results." To make decategorization work, he advised, you also have to analyze trends, develop hypotheses and test them, learn conflict resolution techniques, and "don't confuse style with substance."

The other advice he offered was to take a long-term approach, but keep the focus on scaling up "as fast as you can." Finally, Mr. Baty said, people need to "take a hard look" at the "classist approach" of many systems that work with families.

**Decategorizing Human Services: Tioga County, Pennsylvania**

John Kravas, Human Services Administrator for the Tioga County Human Services Agency, said his agency represents a rural county in north-central Pennsylvania—the second largest in the state geographically, but home to only 41,000 people. The county began looking at ways to operate more efficiently under the "threat of Reaganomics" in 1985. When they looked at the system, officials realized that "clients had to tell their story too many times" to too many people.

The state's welfare and health departments gave the county permission to decategorize and integrate services, and for the last 11 years, it has had one central intake system, one administration, one personnel office, and one fiscal office. Within a year, Mr. Kravas said, the county had saved a substantial amount of money.

The county, which had always emphasized keeping its children as close to home as possible, had a large children and youth delivery system with three partial hospitalization programs and its own residential facilities. Under the new model, the county used "program development units" and case management to blend the separate programs. The county recognized that this model would not be able to respond quickly enough, however, without a computer system "that would hold all our budgets and would empower our case managers to issue units of service delivery to our providers and draw those dollars down off the contracts." Mr. Kravas also explained how the Human Services Agency operates its own delivery system and works with the private delivery system.

The agency gained support from county commissioners for this new model by assuring them that "the local match wouldn't go up," Mr. Kravas said. Initially, providers felt threatened by the transfer of authority and administration of previously autonomous programs into one agency, but the agency brought them on board by convincing them "they would grow as a result of this." However, it was much harder to alter the mindsets that kept providers from defining their jobs outside the narrow framework of their titles and training. To do this, Mr. Kravas said, they had to move very slowly, address inequities in the salaries and benefits of different kinds of workers, and offer them opportunities for education, training, and professional growth. At that point, "they began to really appreciate what was going on here and what we were attempting to do," he said, and the stage was set to form full-fledged multidisciplinary teams.

As a result of the agency's decategorization and integration efforts, Mr. Kravas claimed that:

- "There is no question that for the consumer, this is a much friendlier and user-friendly system."
- Case managers who work one-on-one with families have become experts in all the categorical services.
- By eliminating "waste and duplication," the county has been able to expand its services.
- "Out-of-the-box thinking" has even resulted in an entrepreneurial exchange with a Belgian chocolate company to create jobs for the developmentally disabled.

Lessons the county has learned from decategorization, Mr. Kravas said, highlight the importance of building and sustaining consensus, establishing relationships between various levels of government, and communicating with staff and providers, formally and informally, all the time.

### Participant Comments and Discussion

During the comment period, participants and panelists discussed different ways to define and represent a community in terms of both geography and cultural diversity.

In response to participants' questions, Mr. Kravas also talked about what other counties in Pennsylvania are doing to decategorize their programs; how much energy, resources, and time it takes to track these efforts; and how Tioga County was able to tap the skills of a young computer programmer working as a case manager to set up a sophisticated management information system.

Mr. Kravas also noted that the county brought in a government CPA for assistance in reporting, and he reiterated advice offered by other speakers: "don't skimp on the consultants."

## APPENDIX A

### Collaborative Initiative to Improve Financing for Young Children and Their Families
### Planning and Oversight Group

**Margaret Blood**
*Vice President*, Success By 6, United Way of Massachusetts Bay

**Frank Farrow**
*Director*, Children's Services Policy, Center for the Study of Social Policy

**Ellen Galinsky**
*President*, Families and Work Institute

**Cheryl D. Hayes**
*Executive Director*, The Finance Project

**Baron Holmes, IV**
*Assistant Executive Director*, South Carolina Budget and Control Board

**Kay Johnson**
*Senior Research Staff Scientist*, The George Washington University Medical Center

**Sharon Lynn Kagan**
*Senior Associate*, Quality 2000-Yale University Bush Center

**Jane Knitzer**
*Deputy Director*, National Center for Children in Poverty, Columbia University

**Barbara Reisman**
*Director*, Child Care Action Campaign

**Sara Rosenbaum**
*Director*, Center for Health Policy, The George Washington University Medical Center

**Nina Sazer O'Donnell**
*Senior Associate*, Families and Work Institute

## APPENDIX B

### Collaborative Initiative to Improve Financing for Young Children and Their Families
### Learning Cluster Team Membership Lists

#### Baltimore

**Carol Beck**
*Project Officer*, The Abell Foundation

**Thomas Coyle**
*Assistant Commissioner for Maternal & Infant Care*, Baltimore City Health Department

**Hathaway Ferebee**
*Project Officer*, Safe and Sound Campaign, Baltimore Community Foundation

**Robert Hearn**
*Senior Policy Advisor*, Office of the Mayor

**Joseph Jones**
*Director of Men's Services*, Baltimore Healthy Start

**Janis Parks**
*Executive Director*, Family Preservation Initiative

**Barbara Squires**
*Director of Policy & Program Evaluation*, Baltimore Healthy Start

**Charlene Uhl**
*Executive Director*, Ready At Five Partnership

**Facilitator:**
**Tia Melaville**
Independent Consultant

#### Colorado

**George Delaney**
*Director*, Colorado Office of State Planning and Budgeting

**Grace Hardy**
*Director*, Division of Child Care, Colorado Department of Human Services

**John Morris**
*Professor of Economics*, University of Colorado

**Douglas Price**
*President*, First Bank of Denver

**Bea Romer**
*First Lady of Colorado*

**Dave Smith**
*Director*, Prevention Initiatives, Colorado Department of Education

**Merril Stern**
*Assistant Director*, Colorado Department of Public Health

**Sally Vogler**
*Policy Director*, Office of Governor Romer

**Facilitator:**
**Louise Stoney**
Stoney Associates

## Hawaii

**Keith Ahue**
*Deputy Executive Director*, Hawaii Government Employees Association

**Sheila Forman**
*Special Assistant* to Governor Cayetano

**Lowell Kalapa**
*President*, Hawaii Tax Foundation

**Brian Kanno**
*Hawaii State Senator*

**Neal Miyahira**
*Deputy Director*, Hawaii Department of Budget

**Jane Smith**
*President* and *Chief Executive Officer*, Hawaii Community Foundation

**Kate Stanley**
*Deputy Director*, Hawaii Department of Human Services

**Jeanette Takamura**
*Deputy Director*, Hawaii Department of Health

**Facilitator:**
**Nina Sazer O'Donnell**
Families and Work Institute

## North Carolina

**Stephanie Bass**
*Deputy Policy Advisor*, Office of Governor Hunt

**Stephanie Fanjul**
*Director*, Division of Child Development, North Carolina Department of Human Resources

**Peter Leousis**
*Assistant Secretary*, North Carolina Department of Human Resources

**Sue Russell**
*Executive Director*, Day Care Services Association

**Tom Vitaglione**
*Chief*, Children & Youth Section, North Carolina Division of Maternal & Child Health

**David Walker**
*Executive Director*, North Carolina Partnership for Children

**Dennis Williams**
*Assistant Director*, Division of Medical Assistance, North Carolina Department of Health and Human Services

**Henrietta Zalkind**
*Executive Director*, Down East Partnership for Children

**Facilitator:**
**Nina Sazer O'Donnell** (Temporary)
Families and Work Institute

## Ohio

**Robert Lewis**
*Assistant Deputy Director*, Ohio Department of Human Services

**Linda McCart**
*Executive Director*, Ohio Family and Children First

**Cindy Oser**
*Bureau Chief*, Ohio Department of Health

**Isaac Palmer**
*Deputy Director*, Ohio Department of Human Services

**Jacqueline Romer Sensky**
*Deputy Chief of Staff*, Office of Governor Voinovich

**Jerry Scott**
*Assistant Director*, Division of Early Childhood Education, Ohio Department of Education

**Melissa Snider**
*Executive Assistant for Policy*, Ohio Office of Budget and Management

**Chris Stoneburner**
*Director of Administration*, Ohio Children's Defense Fund

**Facilitator:**
**Barbara Dyer**
The Public's Work

## Oregon

**Janis Elliot**
*Administrator*, Child Care Division, Oregon Department of Employment

**Lynn Fallin**
*Executive Director*, Oregon Commission on Children and Families

**Vickie Gates**
*Support Services Director*, Multnomah County

**Mark Gibson**
*Health Care, Human Services, and Labor Policy Advisor* to Governor Kitzhaber

**Norma Paulus**
*Superintendent of Public Instruction*, Oregon Department of Education

**Chris Tomlinson**
*Executive Director*, Oregon Child Development Fund, Oregon Community Foundation

**Jeff Tryens**
*Executive Director*, Oregon Progress Board

**Gary Weeks**
*Director*, Oregon Department of Human Resources

**Facilitator:**
**Sara Watson**
Family Policy Council

## Pittsburgh

**Melia Belonus**
*Senior Policy Analyst*, Policy Office of Governor Ridge

**Richard Bryant**
*Executive Assistant* to Allegheny County Commisioner Bob Cranmer

**Marc Cherna**
*Director*, Children and Youth Services for Allegheny County

**Robert Haigh**
*Special Assistant to the Secretary*, Pennsylvania Department of Public Welfare

**JoAnn Lawer**
*Deputy Secretary*, Pennsylvania Department of Children, Youth and Families

**Robert Nelkin**
*Director*, Pittsburgh Starting Points

**Marge Petruska**
*Senior Program Officer*, Howard Heinz Endowment

**Charles Zogby**
*Director*, Policy Office of Governor Ridge

**Facilitator:**
**Mark Popovich**
The Public's Work

## Rochester

**Andrew Doniger**
*Director*, Monroe County Health Department

**Barbara Frankel**
*MA Specialist III*, Office of Managed Care, New York State Health Department

**Diane Larter**
*Deputy Director for Family and Children's Services*, Monroe County Department of Social Services

**Margaret Lee**
*Chief of Maternal and Child Health*, Department of Health and Human Services

**Molly McNulty**
Department of Pediatrics, University of Rochester School of Medicine

**Linda Russell**
*Managed Care Coordinator,* Monroe County Department of Social Services and Medical Assistance

**Tracy Wagner**
*Director of Planning/Provider Services,* Monroe Plan for Medical Care

**Jacquie Whitfield**
*Manager,* Rochester Bureau of Human Services

**Facilitator:**
**Judith Meyers**
Independent Consultant

**San Francisco**

**Deborah Bodrick**
*Director,* San Francisco Child Development Program

**Sai-Ling Chan-sew**
*Assistant Director of Children's Service,* San Francisco Department of Public Health

**Juno Duenas**
*Executive Director,* Support for Families with Children with Disabilities

**Amy Kershaw**
*Fiscal Policy Analyst,* Mayors' Office of Children, Youth and Their Families

**Eric McDonnell**
*Executive Director,* Audrey L. Smith Development Centers

**Lisa Mihaly**
*Director of Starting Points,* Mayor's Office of Children, Youth and Their Families

**Jeff Mori**
*Director,* Mayor's Office for Children, Youth and Their Families

**Michelle Rutherford**
*Program Manager,* Family and Children Division, San Francisco Department of Human Services

**Facilitator:**
**Melanie Burnett**
Burnett Consulting

## Vermont

**Paul Bohne**
*Director of Community Development*, State of Vermont

**Cornelius Hogan**
*Secretary*, Vermont Agency of Human Services

**Marc Hull**
*Commissioner*, Vermont Department of Education

**Ted Mable**
*Director of Policy Research*, Planning Division, Vermont Agency of Human Services

**Cheryl Mitchell**
*Deputy Secretary*, Vermont Agency of Human Services

**Thomas Pelham**
*Commissioner*, Vermont Department of Finance and Management

**David Rahr**
*Executive Director*, Vermont Community Foundation

**James Reardon**
*Chief Fiscal Officer*, Vermont Agency of Human Services

Facilitator:
**Jolie Bain Pillsbury**
Independent Consultant

APPENDIX C

**Pilot Learning Cluster on Early Childhood Finance**
**Revenue Generation in the Wake of Welfare Reform**

**Agenda**

Westfields Conference Center, Chantilly, Virginia

April 2-4, 1997

**Wednesday, April 2**

**3:00 pm** **Registration**

**4:30 pm** **Welcome and Introductions**

**5:00 pm** **Opening Discussion: Issues and Challenges in Financing Early Childhood Services**

In this fishbowl discussion, national experts and state and local officials will explore the pressing issues and challenges currently facing states and communities in financing early childhood services.

Moderator: Cathy Trost, Director, Casey Journalism Center for Children and Families

Discussants: Joan Lombardi, Associate Commissioner, Child Care Bureau, U.S. Department of Health and Human Services

Robert Nelkin, Director, Starting Points, Pittsburgh

Sally Vogler, Policy Director, Colorado Office of the Governor

**6:30 pm** **Reception**

**7:30 pm** **Dinner**

**8:30 pm** **Team Meetings**

Team members and their facilitators will meet to discuss their vision for improved financing systems, map strategies for change, develop a work plan, and identify the additional support and technical assistance they will need.

**Thursday, April 3**

**7:00 am** **Breakfast**

**8:00 am** **Introductory Team Presentations**
In these brief presentations, teams will introduce themselves to other meeting participants. Presentations will outline:

- their particular goals for improving early childhood financing in their state or community;
- the steps they anticipate taking to accomplish these goals, including methods for involving other state or community leaders;
- the challenges they expect to face; and
- their needs for outside support and assistance.

**9:30 am** **Overview of Issues and Options for Generating Revenue**
This presentation and discussion will emphasize major financing tools and options for financing early childhood services, including both public and private sector approaches.

Moderator: Jane Knitzer, Deputy Director, National Center for Children in Poverty

Discussants: Anne Mitchell, President, Early Childhood Policy Research

Louise Stoney, Stoney Associates

**10:30 am** **Break**

**10:45 am** **Concurrent Working Sessions** (Team members can choose which session to attend).

1. Reforming State and Local Tax Systems: Tax Incentives
This session will examine tax incentives and subsidies as options for financing a broad range of early childhood services.

Moderator: Barbara Reisman, Executive Director, Child Care Action Campaign

Discussants: John Morris, Professor of Economics, University of Colorado

Paul Pryde, Jr., President, Capital Access Group, LLC

James St. George, Executive Director, The Tax Equity Alliance for Massachusetts

2. Creative Use of Federal Funds to Support an Early Childhood Agenda
This session will highlight strategies for using a variety of federal funding sources, including the Temporary Assistance for Needy Families, Medicaid, child welfare, and other federal programs, to help finance early childhood supports and services.

Moderator: Frank Farrow, Director, Children's Services Policy, Center for the Study of Social Policy

Discussants: Cynthia Mann, Director, State Low-Income Initiatives Project, Center on Budget and Policy Priorities

Harriet Meyer, Executive Director, Ounce of Prevention Fund

Dennis Williams, Director of Planning, Medicaid Division, North Carolina

Norman Zimlich, President, Zimlich & Associates, Inc.

3. Managed Care Financing
This session will explore the applicability of managed care financing to comprehensive supports and services for young children and their families.

Moderator: Kay Johnson, Senior Research Staff Scientist, Center for Health Policy Research, The George Washington University

Discussants: Anne Drissel, Director of Information Products, OPEN MINDS

Robert Ross, Director, Health and Human Services Agency, San Diego County

Leslie Scallet, Vice President, The Lewin Group

**12:45 pm** **Lunch**

**1:45 pm** **Concurrent Working Sessions** (Team members can choose which session to attend).

1. Reforming State and Local Tax Systems: Revenue-Raising Options
This session will explore ways to broaden the tax base, advantages and disadvantages of different types of taxes, and recent experiences with earmarked revenues for early childhood services.

Moderator: Margaret Blood, Vice President, Success By Six, United Way of Massachusetts Bay

Discussants: Gary Cornia, Professor and Associate Dean, Marriott School of Management, Brigham Young University

Penelope Jacks, Director, Success By 6 Southern Arizona, Children's Action Alliance

Robert Restuccia, Executive Director, Health Care For All

2. Reinvestment Strategies

This session will present strategies for reallocating existing funds to support programs for young children and their families.

Moderator: Cheryl Hayes, Executive Director, The Finance Project

Discussants: Janis Elliot, Administrator, Child Care Division, Oregon Employment Department

Mark Friedman, Executive Director, Fiscal Policy Studies Institute

Cornelius Hogan, Secretary of Human Services, State of Vermont

Jim Neely, Deputy Administrator, Adult and Family Services Division, Oregon Department of Human Resources

3. Economically Targeted Investments

This session will focus on methods to leverage private sector funds for both capital development and to support an array of early childhood supports and services.

Moderator: Ellen Galinsky, President, Families and Work Institute

Discussants: Jane Boykin, President, The Mississippi Forum on Children and Families

Richard Ferlauto, Associate Director, Center for Policy Alternatives

Paul Pryde, Jr., President, Capital Access Group, LLC

Karen Seabury, Director of Finance, The Illinois Facilities Fund

**3:45 pm** **Break**

**4:00 pm** **Plenary Session: Decategorization**

This workshop will highlight the major strategies to decategorize highly specialized funding streams to finance comprehensive, community-based support systems.

Moderator: A. Baron Holmes, IV, Assistant Executive Director, Budget and Control Board, State of South Carolina

Discussants: Marc Baty, Human Services Area Administrator, Iowa Department of Human Services

Frank Farrow, Director, Children's Services Policy, Center for the Study of Social Policy

Allen Kraus, President, AKG Solutions

John Kravas, Human Services Administrator, Tioga County Human Services Agency

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| 6:00 pm | **Break** |
| 7:00 pm | **Dinner** |
| 8:30 pm | **Team Discussions**<br>Teams will review what they have learned during the day's sessions and reflect on how this knowledge can improve financing for early childhood services in their state or community. |

Friday, April 4

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| 7:30 am | **Breakfast** |
| 8:30 am | **One-on-one Team Exchanges**<br>Each team will meet with another team that has similar financing goals to exchange ideas and discuss their policy and political challenges in greater depth. |
| 10:30 am | **Team Presentations**<br>Teams will provide brief summary presentations on their future goals for designing and implementing new revenue strategies to finance supports and services for young children and their families. |
| 11:30 am | **General Discussion and Future Planning**<br>Team members will provide feedback on the organization and structure of the learning cluster and offer suggestions about future plans for the project. |
| 12:00 noon | **Adjourn** |

## About The Finance Project

The Finance Project is a national initiative to improve the effectiveness, efficiency, and equity of public- and private- sector financing for education, other children's services, and community building and development. With leadership and support from a consortium of private foundations, The Finance Project was established in 1994 as an independent, nonprofit organization. It undertakes an ambitious array of policy research and development activities, policymaker forums and public education activities, as well as support and technical assistance activities.

The work of The Finance Project is aimed at increasing knowledge and strengthening the capability of communities, states, and the federal government to implement promising strategies for generating necessary fiscal resources and improving the return on investments in children and their families. Its activities are intended to:

- Examine the ways in which governments at all levels, and the private sector, finance education and other supports and services for children (age 0-18) and their families;
- Identify and highlight structural and regulatory barriers that impede the effectiveness of programs, institutions, and services, as well as other public investments, aimed at promoting children's growth and development;
- Outline the characteristics of financing strategies and related structural and administrative arrangements that support improvements in education, other children's services, and community building and development;
- Identify promising approaches for implementing these financing strategies at the federal, state, and local levels and assess their costs, benefits, and feasibility;
- Highlight the necessary steps and cost requirements of converting to new financing strategies; and
- Strengthen intellectual, technical, and political capability to initiate major long-term reform and restructuring of financing systems, as well as interim steps to overcome inefficiencies and inequities within current systems.

The Finance Project extends the work of many other organizations and blue-ribbon groups that have presented bold agendas for improving supports and services for children and

families. It is creating the vision for a more rational approach to generating and investing resources in education, other supports and services for children and families, and communities. It is developing ideas, options, and policy tools to actively foster positive change through broad-based systemic reform, as well as through more incremental steps to improve the effectiveness, efficiency, and equity of current systems. It also provides support and technical assistance to "reform ready" states and communities engaged in efforts to align their financing systems with their policy and program reform agendas.

## RESOURCES AVAILABLE FROM THE FINANCE PROJECT'S WORKING PAPERS SERIES

### Federal Financing Issues and Options

_____ *Financing Services for Young Children and Their Families: Meeting the Challenges of Welfare Reform* by Cheryl D. Hayes (March 1997)

_____ *Federal Tax Reform: A Family Perspective* by Michael J. McIntyre and C. Eugene Steuerle [Report and Executive Summary] (July 1996) *Please note there is a $10.00 charge for this publication.

_____ *The Budget Enforcement Act: Implications for Children and Families* by Karen Baehler (November 1995)

_____ *Dollars and Sense: Diverse Perspectives on Block Grants and the Personal Responsibility Act* (Joint publication of The Finance Project and the American Youth Policy Forum and The Policy Exchange of the Institute for Educational Leadership) (September 1995)

_____ *Rethinking Block Grants: Toward Improved Intergovernmental Financing for Education and Other Children's Services* by Cheryl D. Hayes, with assistance from Anna E. Danegger (April 1995)

_____ *Reform Options for the Intergovernmental Funding System: Decategorization Policy Issues* by Sid Gardner (December 1994)

### State Financing Issues and Options

_____ *Money Matters: A Guide to Financing Quality Education and Other Children's Services* (January 1997) *Please note there is a $20.00 charge for this publication.

_____ *The Effects of Economic and Demographic Changes on State and Local Budgets* by Sally Wallace (December 1995)

_____ *Issues and Challenges in State and Local Finance* by Therese J. McGuire (November 1995)

_____ *Toward State Tax Reform: Lessons From State Tax Studies* by Therese J. McGuire and Jessica E. Rio (November 1995)

_____ *Legal Issues and Constraints Affecting Finance Reform for Education and Related Services* by Thomas Triplett (November 1995)

_____ *State Investments in Education and Other Children's Services: The Fiscal Challenges Ahead* by Martin E. Orland and Carol E. Cohen (November 1995)

_____ *State Investments in Education and Other Children's Services: Fiscal Profiles of the 50 States* by Steven D. Gold, Deborah A. Ellwood, Elizabeth I. Davis, David S. Liebschutz, Sarah Ritchie, Martin E. Orland, and Carol E. Cohen (October 1995)

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_____ *State Investments in Education and Other Children's Services: Case Studies of State Innovations* by Ira M. Cutler, Alexandra Tan, and Laura Downs (October 1995)

_____ *Spending and Revenue for Children's Programs* by Steven D. Gold and Deborah A. Ellwood (December 1994)

**Local Financing Issues and Options**

_____ *Money Matters: A Guide to Financing Quality Education and Other Children's Services* (January 1997) *Please note there is a $20.00 charge for this publication.

_____ *The Property Tax in the 21st Century* by Hal Hovey (May 1996)

_____ *Issues and Challenges in State and Local Finance* by Therese J. McGuire (November 1995)

*Forthcoming*

*Tax Incentives for Community Development* by Paul Pryde, Jr. (Summer 1997)

**Financing Comprehensive, Community-based Supports and Services**

_____ *Financing Strategies to Support Comprehensive, Community-based Services for Children and Families* by Mary M. O'Brien, National Child Welfare Resource Center for Organizational Improvement (March 1997)

_____ *Building Strong Communities: Crafting a Legislative Foundation* (December 1996) *Please note there is a $20.00 charge for this publication.

_____ *Building Comprehensive, Community-based Support Systems for Children & Families: A Review of Legislative Examples* by Thomas Woods (December 1996)

_____ *Beyond Decategorization: Defining Barriers and Potential Solutions to Creating Effective Comprehensive, Community-based Support Systems for Children and Families* by Martin E. Orland and Ellen Foley (April 1996)

_____ *Conceptualizing the Costs of Comprehensive, Community-based Support Systems for Children* by Jennifer King Rice (November 1995)

_____ *Creating More Comprehensive, Community-based Support Systems: The Critical Role of Finance* by Martin E. Orland, Anna E. Danegger and Ellen Foley (November 1995)

_____ *Compendium of Comprehensive, Community-based Initiatives: A Look at Costs, Benefits, and Financing Strategies* by Cheryl D. Hayes, Elise Lipoff, and Anna E. Danegger (July 1995)

_____ *The Role of Finance Reform in Comprehensive Service Initiatives* by Ira M. Cutler (December 1994)

**Results-based Planning, Budgeting, Management and Accountability Issues**

_____ *A Guide to Developing and Using Performance Measures* by Mark Friedman (May 1997)

_____ *A Guide to Results and Indicators* by Atelia Melaville (May 1997)

_____ *A Strategy Map for Results-based Budgeting: Moving from Theory to Practice* by Mark Friedman (September 1996)

*Forthcoming*

*Results-based Planning, Budgeting, Management, and Accountability Strategies: An Annotated Bibliography* by Anna E. Danegger (Summer 1997)

*A Guide to Developing Children's Budgets* by Anna E. Danegger, Carol Cohen, and Mark Friedman (Summer 1997)

**School Finance Issues**

_____ *Securing Equal Educational Opportunities: Past Efforts and the Challenges Ahead* by Alexandra Tan and Martin E. Orland (February 1995)

_____ *School Finance Litigation: A Review of Key Cases* by Dore Van Slyke, Alexandra Tan and Martin E. Orland, with assistance from Anna E. Danegger (December 1994)

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Working papers produced by The Finance Project cost $7.50. However, *Federal Tax Reform: A Family Perspective* [Report and Executive Summary] is $10.00. In addition, *Money Matters: A Guide to Financing Quality Education and Other Children's Services* and *Building Strong Communities: Crafting a Legislative Foundation* cost $20.00 each. Please indicate the quantity desired next to the publications you would like to receive and mail this form, along with your payment, to:

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